

SCALING UP

BUSINESS SOLUTIONS
TO SOCIAL PROBLEMS

A PRACTICAL
GUIDE FOR SOCIAL
AND CORPORATE
ENTREPRENEURS

OLIVIER KAYSER
VALERIA BUDINICH

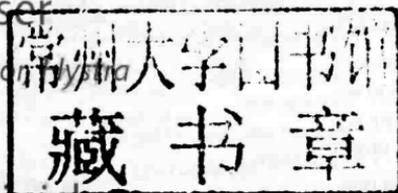
Forewords by
Bill Drayton and
Emmanuel Faber

A Practical Guide for
Social and Corporate
Entrepreneurs

Scaling up Business Solutions to Social Problems

Olivier Kayser

Managing Director, *Mystra*

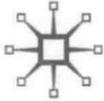


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Praise for *Scaling up Business Solutions to Social Problems*

"Business must take the lead in reinventing capitalism and making it more inclusive. This book provides business leaders with a hard-nosed assessment of the opportunities and challenges of doing so."

—Dominic Barton, Global Managing Director, McKinsey

"While I have had the privilege of working with Valeria and Olivier for over ten years on concrete projects aimed at inventing new socially impacting business models, and hybrid value chain solutions, this book has broadened my understanding of the myriad of entrepreneurs who are working to change our planet."

—Emmanuel Faber, CEO, Danone

"This book provides business executives with a wealth of concrete cases and deep insights into what it takes to build scalable inclusive business models."

—Jean-Laurent Ingles, Global Senior Vice President Household Care, Unilever

"The huge wall that has separated the business and social halves of the world's operations for several centuries is an especially rich opportunity and is the chief focus of this book. I doubt that there is anyone who can match Valeria and Olivier for depth of experience, insight, or clarity here."

—Bill Drayton, CEO, Ashoka

"The emerging field of inclusive or BoP business has suffered from 'pilotitis'—the proliferation of small pilot business experiments with little prospect for expansion. Kayser and Budinich's book provides both the diagnosis and the treatment regime for taking BoP business to the next level. A long-overdue resource for anyone interested in how to accelerate entrepreneurship for a more inclusive and sustainable world."

—Stuart L. Hart, Professor of Sustainable Business,
University of Vermont Business School;
co-author of *The Fortune at the Bottom of the Pyramid*

"*Scaling up Business Solutions to Social Problems* provides important insights into why the innovations proffered by social entrepreneurs with potential to be truly transformative for poor families rarely reach more than a small proportion of them. It's an exceptionally accessible and relevant read to those from the development and business sectors thinking about how to have greater and more sustainable impact."

—Jamie Cooper-Hohn, Co-founder of the Children's Investment Fund Foundation

“For too long, governments have considered they were solely responsible for tackling the issues facing developing countries. This book is a ‘must-read’ for public sector executives intending to partner with business in development.”

–Pascal Canfin, former French Minister for Development

“Kayser and Budinich have written a fascinating book and an important source for those who want to test the limits of what can be done “within the system” to solve societal problems through market-based, economically sustainable approaches.”

–Luiz Ros, Opportunities for the Majority,
Inter-American Development Bank

“This wonderful book is full of so many great stories and rich, practical insights into how frugal innovation can help build scalable and inclusive businesses around the world. It provides a blueprint for how we can help make poverty history, while warning us of the pitfalls along the way.”

–Jaideep Prabhu, Professor of Business and Enterprise, Judge Business School,
University of Cambridge; co-author of *Jugaad Innovation*

“This book is definitely a landmark in the realm of inclusive business: read it both to become inspired by incredible social entrepreneurs around the world and to gain key insights into understanding how we can collectively accelerate.”

–Frédéric Dalsace, Associate Professor of Marketing,
Social Business/Enterprise and Poverty Chair Professor, HEC Paris

*To Marianne and Amaïa, my granddaughters,
and the hundreds of thousands of children born every day.
May they build a world of peace and justice.*

Olivier

*Para mi Nena – a wise and powerful woman who first taught
me as a child the fundamental injustice of poverty.
And to my parents – who inspired in us compassion and the
courage of our convictions and made my journey possible.*

Valeria

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Forewords

Don't miss this turning point **By Bill Drayton, CEO of Ashoka**

Missing a big turning point is probably the worst mistake you can make.

Just ask Detroit. Fifty years ago it was the pinnacle of US technology, wealth, and pride. This icon of the assembly line is now bankrupt, has lost much of its population, and must now spend \$1 billion to tear down an unsavable 40 percent of its remaining structures.

Remember the world's superpower of its era, Persia, and its great king, Darius? He probably never gave a moment's thought to the primitive fringe tribe beyond even the Greeks, the Macedonians, or their new military phalanx organization (the predecessor of the Roman legions). That was the end of Darius.

Turning points almost always come as a big surprise to most. There's a long buildup, but the old system continues in most things – until suddenly the tipping process takes off. The early innovators begin to succeed and connect. The first books and meetings follow. Large numbers begin to fear not understanding and not being able to respond more than they fear being out in front of everyone else. The press becomes a tipping multiplier as it serves the new mass need to know.

The world is now in the middle of such an awareness tipping process -- for what is almost certainly the biggest change humans have experienced for millennia. Valeria Budinich and Olivier Kayser's excellent, deep book enables the reader to explore and understand one of the most important dimensions of this new world – the fact that the traditional walls that usefully kept differing activities and sectors apart in the old order must now come down. The huge wall that has separated the business and social halves of the world's operations for several centuries is an especially rich opportunity and is the chief focus of

this book. I doubt that there is anyone who can match Valeria and Olivier for depth of experience, insight or clarity here.

What is the overarching transformation now upon us that requires all the walls to come down – and many other changes?

Until very recently change was so slow and occasional that for all practical purposes people and their organizations could ignore it. The source of value came from efficiency in repetition. Think the assembly line (e.g., Detroit) or the law firm.

Around 1700, along the North Atlantic, business moved to a radical new “everyone a changemaker” (Ashoka’s goal) structure. It would make anyone with a better idea that that person made work wealthy and respected – and it would then copy the innovation. That revolution spread to the citizen sector structurally around 1980 (which is why we launched Ashoka then and also why the field of social entrepreneurship took off at that point). In both business and social sectors, this structural revolution has now spread globally.

The driving force defining our time and the profound changes now needed is the fact that the rate of change has been accelerating exponentially because of these changes for three centuries. The same is true for the number of change-makers and the dimensions on and degree to which they are interconnected.

Now value comes more and more from delivering change. Today it is more dangerous not to change than it is to change.

Increasingly every group’s strategic environment is one where a higher and higher proportion of those around it initiate changes and where each change bumps more and more people and groups – causing them in turn to change and to bump others.

It is no longer a world where repetition reinforces repetition as A fits steadily with B. Instead change now begets and accelerates change. This is not just different. It is the opposite of the pattern of the prior millennia.

This fact means that the way we have organized for the old game is failing. And as the tipping process now shifting into gear rapidly brings everyone into the new game, those that fall behind will quickly be in serious danger.

Now each group needs a thousand eyes – each team member watching and understanding the evolving patterns in the part of the world before him or her. Then those thousand eyes need to think and create together – putting all those observations of parts of the environment together and then seeing new areas where the group can contribute significant value.

Then the group must create a new team to seize and develop that opportunity.

Because the opening and clients are probably both new – and indeed constantly changing, success requires pulling together a new team of teams – from wherever the strongest team members may be – that will do the best possible job servicing this new opportunity.

This new game thus requires everyone to be a changemaker. Teams need those thousand eyes that can then think, create and organize together – building constantly changing new teams of teams.

In this “everyone a changemaker” world of accelerating change always requiring new team of teams combinations, the organizational walls that so characterize the past are more and more hurtful. A world of change requires fluidity, not walls.

This is why this admirable book is so important. It requires wisdom and a great deal of skill to know how to tear walls down – and far more to know how to replace them with fluid, open teams of teams cutting right across the old divisions. The authors have decades of thought and experience pressing this leadership frontier forward, and this book will help you not only to see the game change turning point now upon us but also to know how to be a skilled change architect.

A journey towards a better business?

By Emmanuel Faber, CEO of Danone

In my role as a business executive, my ultimate commitment is to help turn the power of corporations into a positive force in the world. At Danone, I have been given the opportunity to stretch the limits of what is commonly accepted as normal business practices and invent new models. In the midst of the financial meltdown in 2008, realizing that a company cannot be successful if its suppliers and distributors struggle (we call it our business ecosystem), we were able to convince Danone shareholders to dedicate 100 million euros to support NGOs working with some of the thousands of small farmers from which Danone sources its milk. A few years before, we had created a joint venture with Grameen Bank to produce and market fortified yoghurts in Bangladesh. But we have not always been successful: in Senegal, with the Slow Food movement and ENDA Graf Sahel, we co-developed Mossteki, a highly innovative, nutritious snack for kids at school, entirely made of local, traditional ingredients, which we hoped to be able to sell and distribute in Dakar suburbs. Yet, after many attempts, we have so far failed to make it a viable social business.

The lesson from Senegal and many other places is that this is an exciting but often challenging task. NGOs we want to work with are often skeptical about our motives. Internally, it is also very hard to build internal resilience so that our initiatives survive through lean years. Finding a dynamic balance between profits and sustainability requires constant attention. You therefore need to learn as much from failures than successes, yours, and others'.

Yet, given the daily pressures of a business job, it is a struggle to stay aware of all the initiatives other corporations or NGOs are undertaking. I had to make a conscious decision to devote a significant part of my time to this field of experimentation, taking all possible opportunities to learn and explore our corporate blindspots: this journey brought me to unexpected places, such as the World Social Forum in Belem, at the very moment our Chairman Franck Riboud was in Davos with Muhammad Yunus. More recently I spent a great deal of time, with a small team, to co-author with my friend Jay Naidoo, from South Africa, a report for the French Government on how local NGO-private sector coalitions could radically change the paradigm and the catalytic impact of Official Development Aid.

While on this journey I have had the privilege of working with Valeria and Olivier for nearly ten years, on concrete projects aimed at inventing new socially impacting business models, and hybrid value chain solutions, and this book has broadened my understanding of the myriad of entrepreneurs who are working to change our planet. And I am convinced that many of their innovations can become exciting opportunities for corporations, too.

This book has also helped me to see that the challenges I face are shared by many other executives and entrepreneurs, and that the successes they have enjoyed are proof that there is hope in what we are doing every day.

My motivation is deeply grounded in my own personal experience, but it is also shared by many others. Social entrepreneurs may not know each other, but they are guided by the shared belief that entrepreneurship can change the world for the better. Hopefully, so can business, provided executives don't lose sight of what their corporation is really good at, aimed at, created for. And that can't just be profit maximization. All companies and every person is larger than this, and quite often, we have rediscovered the core of our mission and why we exist as an institution through the tough reality-check of our dialogue with social entrepreneurs. What they do is a wake-up call for all.

Acknowledgments

The writing of this book is the result of a team effort over a number of years.

The diversity of backgrounds of the contributors to this book and their commonality of purpose is not accidental. It reflects one of the underlying themes of this book: collaborative entrepreneurship.

Jessica Graf is a Hystra network partner based in Zurich, Switzerland. Jessica spent the first half of her career working in development, leading projects on the ground with various CSOs before advising governments in Asia and the Balkans when working with the UN, the OSCE and the Swiss government. She then worked in the private sector, setting up an asset management company in Vietnam and consulting for McKinsey Zurich for many years. She joined Hystra in 2010, where she works at reconciling the best of the non-profit and corporate worlds. Jessica wrote the chapters on water and financing.

Lucie Klarsfeld is a Hystra project manager based in Paris. She joined Hystra in 2009 after short experiences with Bain & Company and the United Nations Development Programme (UNDP) and Environment Programme (UNEP). She has led Hystra's work on marketing, information and communications technology (ICT) and nutrition. Lucie wrote the chapters on cooking, lighting, banking, housing, marketing and conducted most of the social entrepreneur interviews featured in this book.

Simon Brossard, a consultant with Hystra, conducted the research for the Financing chapter of this book. Robin Bonsey, a consultant with Hystra, played a critical role in managing the process of editing the manuscript. Guillaume Ginèbre was a junior consultant with Hystra in 2010 and is now a consultant with the social action tank of HEC in Paris. Guillaume contributed to the chapter on sales and distribution.

Laurent Liautaud, a former project manager with Hystra and now the founder and CEO of Niokobok, a social business in Senegal, contributed to writing the chapters on cooking and lighting.

Current and past members of the global Hystra network have provided invaluable insights and critique based on their hands-on experience of working on hybrid strategies in emerging markets, in particular Jim Ayala, former head of McKinsey in the Philippines, founder of Hybrid Solutions and an innovative distributor of essential goods for the Bottom of the Pyramid; Alexandre de Carvalho, former CEO of Sanofi-Aventis for Africa and former COO of KickStart in Kenya; Ed Jardine, founder of Procter and Gamble's Low Income Consumer Learning and Innovation Center in Latin America; François Lepicard, former partner with McKinsey in France and CEO of Occam Capital, a venture capital fund; Avik Roy, who worked with the late C. K. Prahalad and now runs 2007 Re-emerging World out of Kolkota; Jack Sim, a serial business entrepreneur from Singapore, founder of World Toilet Organization; Francisco de la Torre, former McKinsey consultant and senior executive in Mexico, is the chair of FUNDES.

Both authors leveraged several case studies prepared by *Creativ'Entrepreneur*, an organization created by Alexandre Guinet and Mathieu Esprit, which conducted site visits of social entrepreneurs in Latin America and Asia in 2008–09, with the sponsorship of Société Générale Credit and Investment Banking, Groupama and Maiz'Europ.

Listing the names of all our clients here would be impractical and diplomatically unwise. Yet, they have been our companions in this journey of hope, learning and action. We are forever grateful for their support and friendship.

This book would not have been possible without the support of the Ashoka community. Ashoka Fellows who were interviewed for this book and/or contributed with their knowledge and insights include André Albuquerque, Rodrigo Baggio, Jeroo Billimoria, Jean-Marc Borello, Caroline Casey, Carlos Cruz, Isabel Cruz, Haidy Duque, David Green, Harish Hande, Jean-Guy Henckel, Franck Hoffmann, Rajendra Joshi, Satyan Mishra, Ron Layton, Faizel Rahman, Jack Sim, Thorkil Sonne, Felipe Vergara and Rebecca Villalobos.

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our learning process, generously sharing her extensive field experience in small farmer agriculture, recycling and food distribution. Vishnu Swaminathan, head of Ashoka India and Shivana Manakthala – former head of Ashoka FEC India – made possible a field visit and learning exchange among Ashoka and Hystra teams, a pivotal moment in our co-creation process. In addition, Vishnu contributed his amazing journey in developing affordable housing in India.

Maria Lucia Roa, former head of Ashoka Colombia, enabled access to cases such as Colceramica and Codensa as well as Ashoka Fellows. Linda Peia drafted the Zurich and Danone experiences in Chapter 13. Rochelle Beck, Ashoka FEC communications director, contributed to writing part of Chapter 13. Arnaud Mouro, Co-Director, Ashoka Europe, and Konstanze Frischen, Ashoka leadership group member, shared their valuable knowledge and insights on social entrepreneurs in Europe and beyond. Mark Cheng, Ashoka UK, shared his reflections on the future of impact investment. Felix Oldenburg, head of Ashoka Germany, contributed his experience pioneering hybrid finance in Germany. We are also grateful to Bill Matassoni, former McKinsey partner and Ashoka advisor, who was the first to suggest that a book could emerge from our collective hybrid value chain (HVC) work.

We want to thank Potencia Ventures for believing in our project and providing critical support that made the writing of the book possible.

And last but not least, Bill Drayton, founder and CEO of Ashoka, who has continuously inspired and challenged us to change the world.

List of abbreviations and acronyms

BoP	Base of the (economic) Pyramid
BU	business unit
CEO	chief executive officer
CFO	chief financial officer
COO	chief operating officer
CSO	citizen sector organization
DFI	development finance institution
FMCG	fast-moving consumer goods
FTE	full-time equivalent
GAO	US Government Accountability Office
HFA	Housing for All
HVC	hybrid value chain
ICT	information and communication technologies
IP	intellectual property
IPO	initial public offering
KPI	key performance indicator
M&A	merger and acquisitions
MDC	micro-distribution center
MFI	microfinance institution