A ROUTLEDGE FREEBOOK

Social Enterprise and Sustainable Development in Africa

The AfricaCom 20 collection

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Introduction

Back in the early 2000s I was pleased to work with the International Association for African Business Development, IAABD, on a collection of thought-pieces under the title 'Africa can claim the 21st Century'. Was that an optimistic title? Yes, but deliberately so. Entrepreneurs are characterised by optimism and belief, and the continuing success of AfricaCom, now in its 20th anniversary year, demonstrates the power of entrepreneurial optimism.

Where growth and success comes, thoughts of sustainable development and responsible business always need to be present. That's why, to support the 20th anniversary AfricaCom event in 2017, we are pleased to offer a free online collection on social enterprise and sustainable development from our publishing partners at Greenleaf Publishing and Taylor & Francis Routledge.

The AfricaCom20 collection is free to download and share for AfricaCom exhibitors and registered delegates. It supports ***Continuing Professional Development*** (CPD) and ***Lifelong Learning*** (LLL) in sustainable development.

This exclusive collection draws selected chapters and sections from:

- Social Intrapreneurism and All That Jazz - How Business Innovators are Helping to Build a More Sustainable World, by David Grayson, Melody McLaren, and Heiko Spitzeck
- The Top 50 Sustainability Books, edited by Wayne Visser
- Base of the Pyramid 3.0: Sustainable Development through Innovation and Entrepreneurship, edited by Fernando Casado Cañeque and Stuart Hart
- The World Guide to Sustainable Enterprise: Volume 1 – Africa and the Middle East, edited by Wayne Visser

In Social Intrapreneurism and All That Jazz, David Grayson and co-authors look at social enterprise, and entrepreneurs within organizations – the intrapreneurs – against some of the innovations displayed in jazz music. It's an engaging and insightful view of doing well by doing good, and we have selected two chapters – an introduction to the area, and some practical hints and tips.

In the Top 50 Sustainability Books, Professor Wayne Visser has assembled short summaries of some of the most influential books which shape our thinking today. We have pulled out two of these summary reviews, all focused in different ways, about challenging the inevitability of poverty in the world. The classic *Fortune at the Bottom of*

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the Pyramid, by the late Wharton School Professor C.K. Prahalad, looks at enterprise as a route to poverty eradication. In *Banker to the Poor*, Mohammed Yunus explains the work of Grameen Bank in Bangladesh, and how micro-credit builds societies and economies.

In Base of the Pyramid 3.0, Stuart Hart and Fernando Casado follow on from Prahalad's work in the business opportunities available in working with the world's poorest people, and why that can be good for everyone involved. The excerpts cover funding for entrepreneurs in this area, and inclusive market strategies.

Finally, the World Guide to Sustainable Enterprise Africa and the Middle East, is part of a four-volume blockbuster on sustainability around the world, and we have selected some short region and country profiles, covering the Middle East and North Africa, Sub-Saharan Africa, and the countries of South Africa, Egypt, and Nigeria.

We hope you enjoy the selection. All the books featured (and many more) are available in our online bookstore at Routledge.com

We would love to hear what you think about this collection, and to have your thoughts on what you would like to see as online resources for future AfricaCom conferences. Please feel free to share them directly with me, john.peters@informa.com.

John Peters
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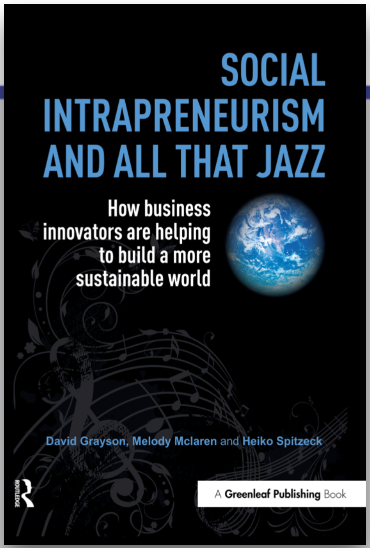
CHAPTER

1

INTRAPRENEURISM AND ALL THAT JAZZ



This chapter is excerpted from

Social Intrapreneurism and All That Jazz: How Business Innovators are Helping to Build a More Sustainable World

by David Grayson, Melody McLaren and Heiko Spitzeck.

Learn more

INTRAPRENEURISM AND ALL THAT JAZZ

Excerpted from *Social Intrapreneurism and All That Jazz*

> There are those that look at things the way they are, and ask why?
> I dream of things that never were, and ask why not?
> Robert Kennedy, based on George Bernard Shaw, *Back to Methuselah*

Many of us, from time to time, have imagined a world that is better than the one we have now. It is quintessentially human to see our world as it is—riddled with poverty, war, disease, environmental degradation and all the other ills we have wrought upon it through the course of our history—and envision in its place a world of beauty in which we have put an end to these myriad afflictions and learned to live in harmony with the earth and with each other.

None of us is quite sure how we might create that world. But most of us would not think immediately of harnessing the innovative powers of business as a means to getting there. A growing number of people, however, are doing precisely that—devising new products and services that are improving the quality of human life, and helping to mitigate climate change and other adverse environmental impacts— crucially, while creating commercial value for their companies.

Those people are called social intrapreneurs.

We define social intrapreneurs as 'people within a large corporation who take direct initiative for innovations that address social or environmental challenges while also creating commercial value for the company'.

The first recorded use of the terms 'intrapreneur', 'intrapreneuring' and 'intrapreneurship' dates from a paper written by Gifford and Elizabeth Pinchot (Pinchot and Pinchot 1978). Later the term was credited to Gifford Pinchot by Norman Macrae in *The Economist* (1982).

The term 'social intrapreneur' was first defined by SustainAbility (2008) as:

1. Someone who works inside major corporations or organisations to develop and promote practical solutions to social or environmental challenges where progress is currently stalled by market failures
2. Someone who applies the principles of social entrepreneurship inside a major organisation
3. One characterised by an 'insider–outsider' mind-set and approach Other definitions include the following:

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> Social intrapreneurs … are responding to perceived shortcomings in society and utilize the resources of the firm to provide market based solutions to address them (Bode and Santos 2013).
>
> Employees who identify opportunities for social innovation within their corporation or organisation, playing a part in making businesses better from the inside out (Mitchell 2013).
>
> A new breed of business professional … finding creative—and in many cases disruptive—ways to tackle some of society's toughest problems and create long-term value for their companies as well (McGaw 2013).
>
> Two thirds changemaker, one third troublemaker (Bulloch 2013).

Typically, as Josh Cleveland who has written and championed the concept with the student movement Net Impact says, social intrapreneurs are 'going against the grain a bit'. They are looking to create what Harvard strategy guru Michael Porter describes as 'Shared Value' (Harvard Business Review 2011. This value-creation process typically engages individuals or organisations beyond the boundaries of their companies in unusual cross-border alliances. Deborah Leipziger, corporate responsibility consultant, and Cheryl Kiser, Director of Babson Social Innovation Lab, explore how entrepreneurial leaders in companies develop such alliances, even co-creating partnerships with competitors, to generate profits and social value in *Creating Social Value* (Kiser and Leipziger 2014).

Social intrapreneurs are challenging their organisation, questioning the status quo to develop and implement commercially attractive sustainability solutions. Hence another description: 'corporate provocateurs'. Often, at least initially, their intrapreneurial activity is not part of their job. This is why some social intrapreneurs talk of their day job and their job that they do in their spare time at weekends and night-time: 'moonlighting' for their own employer! We think the distinctive features of social intrapreneurs are that they:

- Work for for-profit enterprises
- Treat social or environmental problems as business opportunities
- Drive innovations that create value for business and society

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The value of studying social intrapreneurs lies in their potential to develop solutions to our global challenges by virtue of their positions in organisations that manage significant resources and power. Social intrapreneur Gib Bulloch at Accenture explains: 'Affecting even small change in large organisations can lead to significant positive social impact' (SustainAbility 2008).

Unlike their 'close relatives', such as corporate volunteers, corporate responsibility (CR) champions or green team members inside companies who are also furthering social and environmental goals, social intrapreneurs aim to generate entirely new forms of commercial value through significant innovations in products, services, processes or business models for their employers. However, as will become evident from the examples in our book, these diverse members of the corporate 'family' may find themselves working together as an 'ensemble' to enhance the sustainability performance of their companies.

In contrast with social entrepreneurs, social intrapreneurs can leverage existing infrastructures and organisational capabilities to deliver social value on a large scale. That fact alone tips the odds in favour of social intrapreneurs achieving large-scale social change, as *The Economist* (2008) suggested in a review of a book about social entrepreneurs:

> The greatest agents for sustainable change are unlikely to be the wellintentioned folk described in this book, interesting though they are. They are much more likely to be the entirely reasonable people, often working for large companies, who see ways to create better products or reach new markets, and have the resources to do so.

At the 2008 World Economic Forum in Davos, Bill Gates called on business leaders to support the work of social innovators in their own companies:

> I hope corporations will dedicate a percentage of their top innovators' time to issues that could help people left out of the global economy. This kind of contribution is even more powerful than giving cash or offering employees time off to volunteer. It is a focused use of what your company does best. It is a great form of creative capitalism, because it takes the brainpower and makes life better for the richest, and dedicates some of it to improving the lives of everyone else (Gates 2008).

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However, many companies do not yet recognise this. Sharon Parker is a professor in organisational psychology at the University of Western Australia's Business School. Her recent research projects on proactive behaviour and responses to it have explored the motivations of social intrapreneurs and how they generate change in organisations. She notes:

> Trying to effect change gives an individual meaning and purpose. It enhances their learning and is exciting—and it's a great way to develop networks. But at the same time it's quite risky behaviour. Usually there's some resistance from somewhere and you can't anticipate what's going to happen. Businesses are set up to deliver profit and that's their dominant logic, so anyone trying to make profit and be a social intrapreneur is going to potentially come up across resistance (Knowledge@Australian School of Business 2011).

Emma Stewart, Head of Sustainability Solutions at Autodesk and professional faculty at University of California, Berkeley, adds that:

> Social intrapreneurs are employees who, in lieu of starting their own social enterprise, brave the stormy landscape of corporate politics to get their disruptive ideas to market and to more customers sooner, and therefore with greater environmental or social impact. It was social intrapreneurs who first conceived GE's Ecomagination product lines, Intel's super-efficient water reuse programmes, and Levi's Water<Less™ jeans (Stewart 2013).

We began studying this fascinating but rare 'species', described first in a 'field guide' produced by our colleagues at SustainAbility (2008). Why? At the Doughty Centre for Corporate Responsibility, our purpose is to research, and to teach and advise current and future business people on building and developing more responsible, sustainable businesses. But we are interested in how people at all levels of a company, whether they are working at senior director level or elsewhere in the organisation, become interested in trying to build sustainable businesses in the first place. And we are particularly interested in discovering why and how inventive business people are using the power of their companies to help tackle wide-ranging issues such as climate change, poverty and disease—big global problems that previous generations would not have believed businesses could, or even should, try to address.

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So what do social intrapreneurs do?

Here is a small selection of what our research interviews, with over 40 social intrapreneurs as well as with others who have studied and supported their work, revealed that social intrapreneurs and their allies have already achieved:

- Creation of microinsurance products for low-income people and businesses unable to afford conventional insurance schemes (Allianz)
- Start-up of a business unit within a large parcel delivery corporation to improve operational efficiency while ameliorating climate change impacts (DHL)
- Introduction of a marketing strategy to help clients reduce their carbon footprint by promoting use of the company's information technology services (Telstra)
- Reduction of a large brewing company's production costs to improve competitiveness in developing countries through partnerships with local growers (SABMiller)
- Development of a micro-energy project within a major energy generation corporation to boost productivity and address poverty in developing countries (E.ON Energie)
- Launch of an alternative energy business within a major oil company to service customers in emerging markets (BP)
- Establishment of a 'green' advertising network as a new business stream within a major media company (The Guardian)
- Development of 'sustainable IT' service streams at a major engineering company (Siemens)
- Creation of a coalition within a major energy provider to address problems of fuel poverty (E.ON UK)
- Development of ethically produced sustainable product lines at a landscape paving company through partnerships with overseas suppliers (Marshalls)
- Creation of dialogue with a Brazilian community to develop a supply chain relationship at a personal care products company (Natura)
- Development of a commercially viable business unit within an engineering consultancy to address third-world poverty issues (Arup)
- Engineering of environmentally sustainable production processes at a global chemicals company (BASF)

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- Development of sustainability strategy and network at a nuclear engineering company (Cavendish Nuclear)
- Creation of a specialty risk reinsurance company focused on climate change and carbon trading exposures (Marsh)
- Capacity-building and creation of partnerships to leverage and develop management expertise for international development (Accenture)
- Development of a commercially sustainable strategy for marketing pharmaceutical products to low-income customers in developing countries (Novartis)

In this book we present a selection of their stories and what we, and they, have learned from their journeys. We hope to inspire others to follow in their pioneering footsteps and join a growing movement of individuals who are helping to build a better, more sustainable world through their 'day jobs'.

Why are these stories important? Because they prove that work can, and should be, more than 'just a job'; it can be a fulfilling means to making the world a better place. Social intrapreneurism, we believe, is a gateway to an entirely new way of doing business: creating value, not just for investors, but for society as a whole. Businesses need to be recognised for what they truly are—not isolated entities operating in bubbles but value-generating (and potentially value-destroying) communities, interconnected with the wider world through networks of employees, suppliers, customers and others. We look forward to a future era in which it will be commonplace for inventive minds to design products and services that are not only commercially profitable but also address the world's most pressing social, environmental and economic challenges.

Perhaps you, a reader of this book, will be a leader in that future. If so, we look forward to meeting you and learning more about the great work you will be doing.

What does jazz have to do with social intrapreneurism?

Our references to jazz music, both in the title of this book and at various points in the text, have emerged from discoveries we made during the course of our research that paralleled the experiences of two amateur jazz pianists in our

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extended working community: Melody McLaren, a Doughty Centre research associate co- authoring this book, and Lionel Bodin, a senior manager at Accenture Development Partnerships, supporters of the League of Intrapreneurs. As Melody describes it:

> During the period of our Doughty Centre team's research on social intrapreneurs I was, by coincidence, also spending a lot of time with great jazz musicians. Whether I was listening to their performances in concerts or jam sessions, being tutored by them in jazz workshops or just conversing with them, I was struck by their aliveness, their connectedness with other musicians and the power of their musical 'storytelling'. When I was in a room with these people, I didn't want to leave.
>
> I had similar experiences when I was interviewing social intrapreneurs. Their accounts of their lives and the development of their projects conveyed a strong sense of connectedness, not only with what was happening in their businesses, but also with issues and events in the wider world including poverty, social exclusion and environmental degradation, along with their innovative practical solutions for tackling them. Whether they were describing project successes or failures or simply describing their day-to-day experiences, I had the sense that these people were very much alive. I could have listened to them for hours without losing interest in what they had to say.
>
> That sense of aliveness was the initial common thread between these two groups. Later on it became apparent that they shared other qualities—a strong sense of curiosity that emboldened them to take risks, a history of hard work to learn and perfect their 'craft', astute listening and observational powers, an ability to communicate with others in a compelling way and, above all, a passion for 'quality'.

During many discussions between the authors, Melody would often explain a point she was making with reference to her jazz experiences. To communicate these ideas to the research team in a more concise way, she began using terms such as 'woodshedding' (solitary practice to improve technical skills), 'comping' (accompanying, or providing support for, others), 'soloing' (putting your own ideas forward), 'being a sideman' (contributing to a group in which you are not the official leader but a supporting team member) and 'paying your dues' (contributing to your immediate team/community, thereby earning the trust of others). While

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some of these jazz colloquialisms, which are numerous, are no longer in current use by jazz musicians, they nevertheless resonated with our team, other colleagues and social intrapreneurs with whom we shared our ideas.

When we began to analyse in great depth the interviews with individual social intrapreneurs and later on with their colleagues who helped create the 'enabling environment' for social intrapreneurism, parallels between the worlds of jazz musicians and social intrapreneurs became increasingly explicit. While some of the terms we use in this book (e.g. godparent) have, to our knowledge, no equivalents in the jazz lexicon, the resonances between the worlds of jazz and social intrapreneurism were sufficiently strong that we decided to introduce jazz metaphors to describe many of the ideas that emerged from our research.

1. Social intrapreneurism is not a solo act

Our interviews underscored the point that successful social intrapreneurism is a *group* (vs. individual) activity. Intrapreneurism and entrepreneurism are distinctly different in this respect. Nothing of significance can be achieved by a single person working alone inside a company, however heroic their efforts. There is simply too much to do.

Although the first phase of our research focused on individual social intrapreneurs (Grayson, McLaren and Spitzeck 2011), it became evident when we reviewed our first-round interviews, as well as during our second-phase research into the enabling environment for social intrapreneurism (Grayson, Spitzeck, Alt and McLaren 2013), that an intrapreneur had to secure the continuing support of others in order to bring a project to fruition inside a large company. For this reason, we altered the language in our second-phase research report to highlight the importance of colleagues supporting the enabling environment for social intrapreneurism.

While there is a Western business stereotype that celebrates the heroic efforts of the intrepid business *entrepreneur*, a successful social *intrapreneur*, although perhaps originating an intrapreneurial project idea of their own, must learn to work in, and then help to create, 'ensembles' of like-minded individuals with complementary skills and ideas, as happens with jazz musicians who are 'jamming' or performing together, in order to succeed.

If the number of individuals involved is sufficiently large (i.e. the intrapreneurial project requires assembling a 'big band' with a diverse range of talents), the proportion of orchestral 'scoring' required relative to the amount of free improvisation may need to increase to grow a corporate project to a large scale.

And, as with jazz ensembles, the mere presence of other players is not enough. We found that the quality of the 'conversation'—the collaborative relationships—between social intrapreneurs and their colleagues both inside and outside their organisation (often partners in external not-for-profit organisations) was instrumental in determining whether an idea could get off the ground and secure support in a company.

It was particularly helpful if the intrapreneur was able to find an individual who could act as:

- A power broker to provide access to resources and create a protected 'space' or 'air-cover' in which the intrapreneur could develop a project, often 'under the radar' of the rest of the organisation
- An effective networker who could connect the intrapreneur with useful contacts and help rally support for a project
- An effective translator of an intrapreneur's ideas who could highlight the links between a project and corporate purpose and values
- A skilled listener and coach/mentor who could help develop not only the project idea but also the intrapreneur to a point where they could play a leadership role in the project and become an effective advocate for sustainability within the organisation
- Someone generally open to challenge by the intrapreneur, as well as others
- An intelligent risk-taker who was prepared to bend rules to enable experimentation to achieve 'proof of concept' for an intrapreneurial project

We labelled such individuals 'godparents'. Although we recognised that this term refers to a religious role within the Christian tradition and sought a more secular synonym, we did not find a fully satisfactory alternative. A 'mentor', for example, shares many of the attributes of a godparent but does not capture the full range of attributes listed above. We subsequently discovered a precedent for using the term 'godparent' in a secular context: in the Chinese tradition the role of a godparent is largely non-religious in nature.

2. ‘Woodshedding’ hones skills for playing in corporate ‘bands’

Many people, particularly non-musicians, believe that jazz musicians simply sit down and start producing music spontaneously without serious preparation. Nothing could be further from the truth. All jazz musicians must do their share of ‘woodshedding’—developing a wide spectrum of technical skills. Jazz musicians often describe their practice as ‘woodshedding’ inasmuch as a musician would frequently go out to a woodshed to hone their skills in private. ‘I’d had years of

Alto saxophonist Tony Kofi is shown performing a tribute set to Thelonious Monk with his quartet at the 2013 Herts Jazz Festival. Kofi exemplifies an experienced soloist who has done his ‘woodshedding’, having acquired a deep understanding of Monk’s distinctive harmonic and rhythmic style, but then creates unique musical lines that reflect both Monk’s influence and the ongoing musical ‘conversation’ with other members of the quartet (Jonathan Gee, piano, Ben Hazleton, bass, Winston Clifford, drums).

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training as a classical pianist', says our team member Melody McLaren,

> but I had to develop a completely new set of skills for jazz—particularly listening and developing a more accurate sense of rhythm and pulse as well as getting my ear used to completely new harmonic forms—before I could join in a jazz conversation properly. It's taken me years and I'm still having to work at it.

As Stephen Keogh, a professional jazz drummer and educator who directs the Global Music Foundation says:

> Jazz is a language ... one has to learn a vocabulary and grammar. Then there can be a conversation ... there are principles that must be learned, lived, memorised, and an instrument that must be mastered, plus attention to sound, pulse, intonation, repertoire, etc. This is all training and it never stops.

Arnie Somogyi, a professional bass player, bandleader and lecturer at Birmingham Conservatoire, adds:

> A successful improvising musician should develop the technique required to communicate their musical 'language'. Bill Evans, for example, has a very different piano technique to Monk's, which was seen by some as primitive. But they make very different sounds on the piano. Monk's technique was integral to both his piano playing and composing.

Like jazz musicians, successful social intrapreneurs have invested considerable time in technical practice of various kinds. They often have an appetite for learning that develops at an early age and continues into adulthood. As Malcolm Gladwell wrote in *Outliers: The Story of Success* (2008), 'Practice isn't the thing you do once and you're good. It's the thing you do that makes you good.'

Practice also helps you develop the intuition that enables you to 'play'—whether it's a musical instrument or performing your day-to-day job in the workplace—without having to think constantly about everything you do. Drawing on Gladwell's *Blink* (2005), our management consultant colleague Lionel Bodin has observed:

> You have to work on your gut feeling. People tend to spend millions of hours looking at best option—at the end they pick their intuitive option first. People train their intuition every day ... they still need to think but still need to get

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> confident in their intuition … there is a link with intrapreneurship … Intuition is listening to the environment.

Arnie Somogyi notes that this 'intuitional training' occurs 'often subconsciously. In fact we are improvising continuously in our day-to-day lives.'

Long before they become great improvisers, the best jazz musicians have spent time and effort in developing individual technical skills. Mastering an instrument requires many hours of playing scales, arpeggios and riffs to play notes fluently, in correct time and with good sound; learning about rhythm and harmonic forms and composition structure; and internalising the shared jazz repertoire of compositions, known as jazz standards. Standards 'are an important part of the musical repertoire of jazz musicians, in that they are widely known, performed, and recorded by jazz musicians, and widely known by listeners' although there is no definitive list. While classical musicians practise the works of Bach, Mozart, Beethoven and Bartok, jazz musicians practise the adapted works of Broadway theatre composers such as Irving Berlin, Cole Porter, George and Ira Gershwin, Richard Rodgers, Lorenz Hart and Oscar Hammerstein; bebop composers such as Charlie Parker, Dizzy Gillespie and Thelonious Monk; more contemporary artists such as Miles Davis, John Coltrane, Herbie Hancock and Wayne Shorter; and many others.

Arnie Somogyi adds: 'Most good jazz musicians have a varied and eclectic taste in music, which crosses genres. To paraphrase Ellington, there are two sorts of music: good and bad.'

Successful social intrapreneurs have spent time learning skills associated with their own corporate specialism, whether it's marketing/communications, engineering, procurement, finance or some other business profession or function, as well as gaining an intuitive sense of how businesses work generally. They have 'learned the ropes' of how things get done in their own company, internalised the company's values (what matters most) and, crucially, how, when and where to communicate ideas in the language of their corporate peers, developing a robust 'business case' for their project ideas. They have also mastered the delicate art of balancing the behaviours of risk-taking entrepreneurs and rule-following employees within a large organisation.

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3. Great intrapreneurs know how to 'jam' well with others

For jazz musicians, solitary practice is not sufficient. Jazz musicians have to develop their listening and improvisational skills by playing in groups with others—an activity known as 'jamming'—where they can try out unfamiliar harmonic or rhythmic lines with their fellow musicians in the relative safety of an informal setting.

Arnie Somogyi, an experienced composer, notes that truly novel ideas may be generated before being aired in a jam session, 'either by individuals or in rehearsals with a band where ideas are open to interpretation and "workshopping"'. However, in preparation for 'jamming', musicians have to have done their share of 'woodshedding', as described above. Playing in a 'jam' requires a deep knowledge of jazz standards, along with a general knowledge of musical 'form'—the rhythmic and harmonic structure of jazz compositions—and, most importantly, the capacity to listen with focused attention to the music being played by other musicians in the ensemble and, in response, to communicate relevant ideas in appropriate ways. Over time, a musician who is seen to be proficient at exchanging and transforming musical ideas will gain the trust of other musicians. They will be invited to more jam sessions or even be asked to perform in public with, and perhaps join, an ensemble.

Social intrapreneurs, like great jazz musicians, excel at exchanging and developing new ideas in informal exchanges with colleagues. Like Nobel laureate Linus Pauling, they recognise that 'The best way to have a good idea is to have lots of ideas'.

To participate successfully in the corporate equivalent of a 'jam'—perhaps a brainstorm or other collective gathering (face to face or even online) where new ideas are being considered for corporate action—the social intrapreneur needs to have mastered the appropriate 'form' for exchanging new ideas in their organisation. Beyond following explicit rules that may be set down for a particular corporate meeting or gathering (e.g. withhold criticism, welcome unusual ideas, try to combine and improve ideas), this entails listening openly and responding with relevant, persuasive ideas, drawing on the social skills associated with 'emotional competence' as identified by Daniel Goleman (1998: 27).

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Excerpted from *Social Intrapreneurism and All That Jazz*

Alto saxophonist Perico Sambeat and pianist Albert Sanz (shown with bassist Alex Davis) listen intently to a drum solo by Stephen Keogh during their quartet's performance at Pizza Express Dean Street in London. Sambeat, Sanz and Keogh have many years' experience playing together in different ensembles and have developed an intimate understanding of, and trust in, each other's playing.

The social intrapreneur is more likely to be heard and understood if they are working within an organisational culture that fosters open dialogue to stimulate the creative flow of ideas needed for truly innovative ideas to emerge—what we have referred to as 'café culture' (Grayson *et al*. 2013: 10). In other words, as Danone's Cassiano Mecchi reported, there is freedom to 'think crazy stuff in any position and in any meeting'.

Through this 'ensemble' practice, many novel ideas can be generated and the best ones are refined to the point where they can be tested with a wider audience before they are implemented in pilot projects. Innovation is a collaborative activity that improves with practice.

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4. ‘Paying your dues’ creates a licence to operate—and break rules

To make the transition from idea generation to project leadership, social intrapreneurs have to be trusted by their peers and by managers who control the investment of corporate resources, time and energy in projects. It helps if social intrapreneurs have, in the language of jazz, ‘paid their dues’—invested time working and proving their abilities in an organisation, thereby earning their colleagues’ trust—before asking for permission and help to develop a new project.

One of the giants of the jazz world, Charlie Parker (one of the founders of the ‘bebop’ movement) stepped up to play in a jam session at the Reno Club in Kansas City when he was only 16. He veered from the harmonic conventions of the day so wildly that Jo Jones, the drummer, threw a cymbal at him and drove him off the stage. Parker’s immortal words were reputedly, ‘I’ll be back’. The *Guardian* critic John Fordham regarded this as such an important moment in jazz history that he selected it as one of the ‘50 key events in the history of jazz music’ (Fordham 2011) and it has also been immortalised in Clint Eastwood’s biographical film *Bird* (1988). Only when Parker went to New York and began jamming at Minton’s Playhouse in Harlem did he meet

> such like-minded young swing dissidents as drummer Kenny Clarke, former church pianist Thelonious Monk, Benny Goodman’s star guitarist Charlie Christian and the harmonically advanced trumpeter John Birks ‘Dizzy’ Gillespie. In the small hours at Minton’s, bebop, or just bop, was forged (Fordham 2011).

Parker, in short, had been ‘paying his dues’ alongside other musicians, as well as developing his own musicianship skills. Only by working things out together in an organic way, over time, could the old rules be broken.

We found that aspiring social intrapreneurs were more likely to run into difficulties launching their ideas if they had not been in their companies very long. Conversely, those who have had the most long-lived intrapreneurial careers in their companies are those who have ‘paid their dues’. Jo da Silva spent years developing her reputation as an engineer within Arup before making her bid to begin Arup International Development. Chris Harrop joined Marshalls UK as a marketing director and established himself successfully in that role, earning the trust of the board, before embarking on his ambitious Fairstone project. Dorje Mundle was an established PricewaterhouseCoopers (PwC) consultant working with pharmaceutical clients (and had worked at Shell and Novo Nordisk before that) before joining Novartis and getting 'permission from the top' to develop a game-changing bottom-of-the-pyramid business model.

5. Intrapreneurs 'comp' for others as well as 'soloing'

The jazz musicians in our extended team have experienced 'that thing in jazz where you have someone who does five choruses, and then everyone is lost! Usually a front-line instrumentalist'. Skilled jazz musicians are great at both 'comping' (accompanying other band members) and 'soloing' (playing their own interpretation of a jazz tune). Listening, as well as speaking clearly, are both essential skills for a great jazz 'conversation'.

Similarly, successful social intrapreneurs tend to be great communicators, unlike out-of-control 'soloists' who 'preach' about sustainability without hearing the needs of the business. Social intrapreneurs 'listen' to what others in the business say they need, 'accompanying' them as needed. Only then do they 'speak' about their ideas—always in ways that make sense to others, particularly senior decisionmakers who control needed resources. They practise and refine their listening/ comping and speaking/soloing skills over time.

In this vein, Arnie Somogyi cites the work of jazz trumpeter, bandleader and composer Miles Davis, considered one of the most influential musicians of the 20th century:

> Miles was great at putting 'teams' together. He employed the musicians who could move the music into new directions without it sounding contrived. All of Miles' bands were innovative but came out of a tradition with reference points to what had been done previously.

When everyone in the corporate 'band' is adept at 'soloing' and 'comping'– playing with ideas already put forward by other band members and helping new ones to emerge—the collaborative whole becomes more than the sum of its parts.

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Excerpted from *Social Intrapreneurism and All That Jazz*

6. Intrapreneurs excel at being 'sidemen' as well as 'bandleaders'

In jazz, a 'sideman' is anyone in a band who is not the bandleader. 'Sidemen are generally required to be adaptable to many different styles of music, and so able to fit smoothly into the group in which they are currently playing.'

Similarly, successful social intrapreneurism depends not just on a single individual but on a team—sometimes a small ensemble, sometimes a more highlyorchestrated 'big band'—all of whom have done their 'woodshedding', excel in their own disciplines as well as being adept at collaborating with others as 'sidemen' or 'bandleaders', to bring ideas to fruition in new products or services. We can illustrate how these metaphors can work by applying them to a specific social intrapreneur.

Jo da Silva, Director, Arup International Development

From an early age Jo da Silva was learning the fundamental lesson of jazz music-making: life is 'not a solo act' but is lived in community with others:

Jo da Silva was born in 1967 in Washington, DC, while her father was on diplomatic assignment to the United States. From an early age she absorbed her parents' love of travel as well as what she describes as 'pre-war values', which emphasise the importance of community and contributing to society, careful use of resources and earning a living (vs. making money).

Jo did her early 'woodshedding' in the form of academic work at Cambridge. But she also travelled abroad, acquiring a working knowledge of life in developing countries that would serve her in the years ahead:

Jo's love of designing and making things led her to choose engineering as a profession. However, her parents' tales of exotic places inspired her to intersperse academic work at Cambridge with travel adventures in Turkey,

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the Middle East and India.

Poverty relief work enables Jo to apply her technical skills to real-world projects, improvising practical solutions with others ('jamming') in the context of practising generosity towards other human beings on a day-to-day basis. This experience would develop the social intelligence needed for being a 'sideman' or a 'bandleader' in collaborative projects:

After graduating she returned to live in India—building a clinic and a water supply as well as undertaking other projects—'living right up against nature in its raw and beautiful form … where humanity is there in three dimensions, floodlit every day'.

The Indian experience proved pivotal in heightening Jo's awareness of the interdependence of human beings and their environment, shaping her desire to develop and apply her engineering skills to solving societal problems. She joined Arup as a graduate engineer, inspired by founder Ove Arup's emphasis on humanitarianism and doing rewarding, interesting work.

Next we see Jo performing as both a 'sideman' (part of the Arup Sustainable Task Force) as well as continuing to develop and apply her technical skills inside the company ('paying her dues' inside Arup as well as in poverty relief organisations) and outside the company in post-disaster relief projects:

In parallel with her engineering career, Jo began undertaking post-disaster relief projects. The psychological impact of the first—constructing refugee camps in Tanzania after the Rwandan genocide in 1994—'marked the beginning of the end of mainstream engineering' for Jo. She joined an Arup Sustainable Task Force formed by a board director who was 'looking for people to be activists, not corporate animals'.

Jo begins to perform as a project 'bandleader', recruiting her own 'sidemen' and building a small 'ensemble':

Jo co-led a building engineering group that focused on creating social infrastructure such as schools and libraries mostly for public-sector clients in deprived urban area, growing the team from 6 to 35 people in three years.

Now Jo leads a massive 'big band' and orchestrates a large-scale disaster relief 'performance' outside the firm:

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Excerpted from *Social Intrapreneurism and All That Jazz*

Although Jo had conducted her post-disaster recovery activities separately from her work projects, the Tsunami disaster of 2004 proved a major turning point. She was invited by UNHCR, the UN Refugee Agency, to co-ordinate post-disaster shelter construction in Sri Lanka with approximately 100 NGOs, building 60,000 shelters in six months.

But she then bids to start and lead her own 'band', drawing on the full range of her technical and management skills:

Determined to create a focus within Arup to address poverty and vulnerability in developing countries, Jo wrote directly to the chairman and engaged senior directors, appealing to them to recognise a new opportunity to fulfil Arup's mission 'to shape a better world' by creating a consultancy business within the firm focused on development work.

Importantly, Jo framed this project as a business (vs. a philanthropic) venture:

> I did not ask Arup for resources. From the outset I was clear that Arup International Development would need to operate as a self-sustainable business, albeit operating on lower margins than our commercial businesses and on a not-forprofit basis.

By persuading Arup management that this would complement Arup's charitable activities and enable them to make a greater and more professional contribution to alleviating poverty, Jo was able to establish Arup International Development, which harnesses Arup's skills and networks to provide affordable strategic advice and technical expertise exclusively to organisations seeking to improve social wellbeing and reduce vulnerability in developing countries.

Now she is a 'bandleader' in charge of a 'crossover' ensemble that is creating an entirely new repertoire in the social intrapreneurism domain:

Starting with three months of funding, she has now grown Arup International Development into a thriving entity within the group, offering services spanning urban development, water and sanitation, disaster risk reduction, climate-change adaption, shelter and education.

> I don't feel brave, I feel lucky that I've got skills that can be put to use and

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> make a real difference … I couldn't work for a company that's making money for thirdparty shareholders. [With a] social conscience, you've got to make money but making money is not the *raison d'être*.

From the single narrative of this social intrapreneur we can distil a number of parallels between jazz and social intrapreneurism (Table 1).

Table 1 Jazz activities and social intrapreneurism

Jazz activities	Social intrapreneurism activities
Woodshedding. Learning your musical craft, often through solitary practice, as a foundation for ensemble playing	**Learning the ropes.** Acquiring in-depth knowledge of your specialist 'craft' or profession as a foundation for playing a productive role in the business and wider society
Being a good sideman. Learning to 'comp' (accompany) others in your ensemble as well as 'soloing' (expressing your own musical ideas)	**Learning to be a team player.** Supporting other colleagues in your team as well as getting to lead projects
Jamming. Trying out and developing ideas with others	**Brainstorming.** Developing your own ideas with support and feedback from them in informal settings
Paying your dues. Earning the trust and respect of fellow musicians	**Building a licence to operate.** Earning the trust of colleagues in the business and others in your wider personal network
Becoming a bandleader. Recruiting musicians to a new ensemble	**Becoming a project leader.** Engaging a small team to establish proof of concept via a pilot social intrapreneurism project
Composing and performing. Creating new pieces for fellow band members to perform and others to enjoy	**Piloting a project.** Testing a new strategy to creates social and/or environmental value, as well as commercial value for the company
Launching a large-scale music project, such as a big band or a festival involving many people	**Taking a pilot project to scale.** Engaging a large number of colleagues and/or partners beyond the company

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Generally, we have found that jazz metaphors have helped us to re-frame our observations of social intrapreneurism, and business activities more generally, in new and useful ways. Our Accenture colleague Lionel Bodin, a management consultant who has also led jazz bands of his own, has pointed out, for example, that while the management literature is full of sporting metaphors that focus on competitiveness, winning and the importance of individual leaders, jazz metaphors emphasise the value of cooperation and provide a more nuanced view of leadership (as in the example of sidemen who demonstrate excellence, not only in their individual instrumental disciplines but also in their capacity to listen and

A deep understanding of jazz form, combined with mastery of one's instrument and a capacity for listening to others, can enable the individuals in an ensemble to perform together in a comparatively short time. This student combo, drawn from countries around the world, performed in the final concert of the 2013 Global Music Foundation London Jazz Workshop in Kings Place Hall two after having been together only five days under the guidance of New York pianist Bruce Barth. Left to right: Jin Ye (piano), Duncan Allbrooke (guitar), Cole Davis (bass), Luigi Ventimiglia (trumpet), Víctor Jiménez Gómez (alto), Scott Hugh Duff (drums), Achim Kuhn (tenor). Similarly, social intrapreneurs with a deep understanding of their own company's purpose and values, who have mastered their own 'day jobs' and have 'paid their dues' sufficiently to earn the trust of others, can collaborate with colleagues and other partners around the world on new projects.

contribute to a greater musical 'whole').

This emphasis on collectivism also chimes well with Eastern cultural themes, particularly the emphasis in Chinese corporate responsibility on achieving a 'harmonious society' about which we have written in *Ethical Corporation* (Grayson 2013). While written from largely Western perspectives and with mainly Western examples, social intrapreneurism fits well with the increasing emphasis on the great Asian philosophical traditions in modern management theory and practice in China, India and other fast-growing global economies.

Throughout this book we will use these metaphors to bring to life the distinctive mind-sets, behaviours and skills of social intrapreneurs as well as the key features of the 'enabling environment' for social intrapreneurism that have been identified through our interviews with intrapreneurs and their colleagues as well as other experts in the field of corporate social innovation.

Our ambition: to create a new 'jazz scene' for social intrapreneurism

Like the co-founders of the bebop movement that revolutionised jazz, our aspiration is to start a business revolution by creating a new type of 'jazz scene'. We want to build a global 'community of practice' (Lave and Wenger 1991) around social intrapreneurism, enabling corporate practitioners, academics, NGOs and other interested parties to continue to develop, share and apply our collective learning to enhance the quality and scale of social intrapreneurism.

As with jazz musicians, the success of our community will depend on the commitment of our members to achieving excellence in their respective disciplines through a foundation of 'woodshedding'; a capacity for 'listening' to the ideas of others, often working in fields or sectors different from our own; a willingness to serve as 'sidemen' in collaborative 'ensembles', 'comping' for other 'soloists' who take centre stage to present new ideas; and an ongoing awareness of the everchanging conditions that enable, or disable, intrapreneurial projects to come to fruition, working to keep the intrapreneurial spirit alive where we can.

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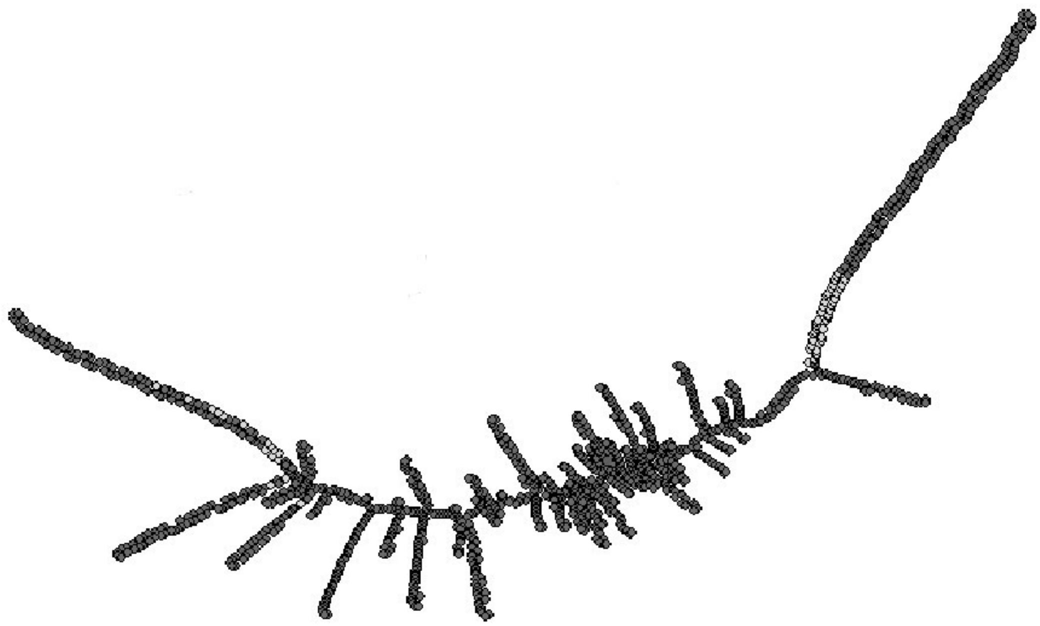
Figure 1 A jazz social network
Source: Gleiser and Danon (2003).



The social network diagram in Figure 1 is illustrative of how, irrespective of the merits of the work of individuals, the external 'enabling environment' can wield massive, sometimes unseen, power. Based on The Red Hot Jazz Archive, a digital database of jazz bands that performed between 1912 and 1940, this diagram depicts the shape of the jazz community during this period, based on who was collaborating with whom. While Stephen Keogh notes that successful musicians ought to 'have good listening skills, consider team work and attention to quality as indispensable', suggesting, quite sensibly, that the best musicians should be playing with each other, what emerges is that the jazz community was, in the first half of the 20th century, split along racial lines. In Figure 1, musicians on the left are black while the musicians on the right are white.

We must therefore be committed to seeking out, engaging and nurturing social intrapreneurs and other aspiring change-makers, whoever and wherever they are—hence the dedication at the beginning of this book.

To achieve this, we hope to inspire many more people already in business, as well as those who are planning to work in business, so that they can achieve significant social impact, personal satisfaction and maybe even individual success by becoming, or supporting others to become, social intrapreneurs.

We also want to convince current and future business leaders of the value of promoting an enabling environment for social intrapreneurism in their organisations, as an integral part of their innovation and new business development; the better management of their social, environmental and economic impacts; and creating a great place to work—in short, a business that 'buzzes' like a jazz club but is also built to last.

We want to persuade non-governmental organisations (NGOs) and international development agencies to think more expansively about their relationships with big business; and to challenge business schools and schools of public policy to introduce the role of social intrapreneurs into their research and teaching. We welcome all like-minded 'cats' who want to join our virtual 'band'. The jam starts now!

How this book is organised

The model in Figure 2 gives an overview of the central argument of this book and thus explains what will follow.

We will start our jam session by looking at the sustainability issues that are taken as external triggers for innovation (Chapter 1). Social intrapreneurs perceive global challenges such as financial inclusion, water scarcity and regional development not as problems, but as an inspiration for innovation. This leads to innovations that on one side create value for the company and on the other create social or environmental benefits for society.

Social intrapreneurism and sustainable innovations depend, however, on a number of factors. First, the characteristics of the individual—our social intrapreneurs. Which mind-set, skills and attitudes drive their behaviour? In how far are they different from the ordinary corporate population? What are the different types of social intrapreneur? Is there something common in their journey from having an idea, to piloting, to scaling it? These questions will guide us in Chapter 2. The

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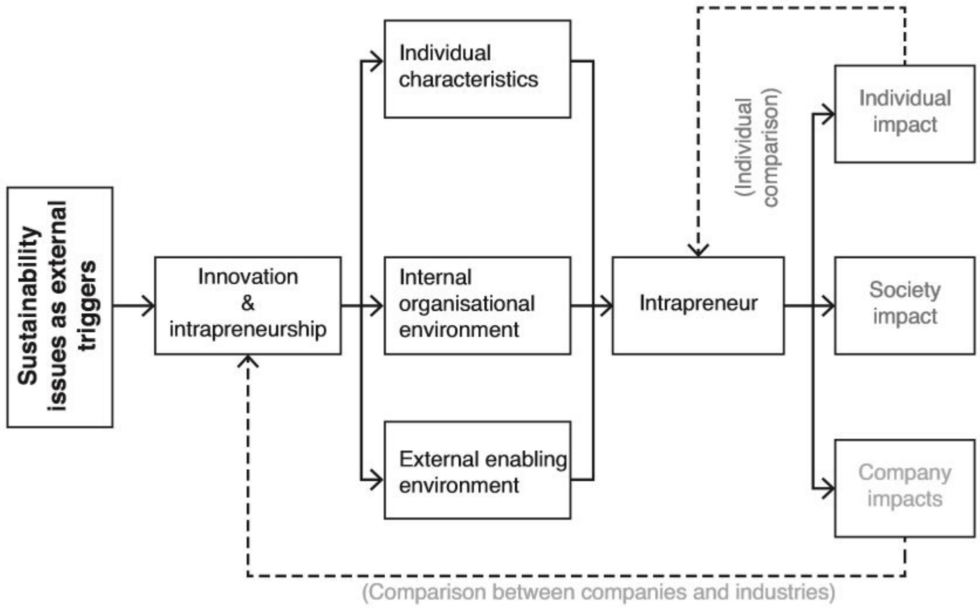
Figure 2 How this book is organised



second important aspect for having success with social intrapreneurism rests with the internal organisational environment. Chapter 3 looks at how corporations react once a social intrapreneur becomes active and suggests a business case for companies to support social intrapreneurism. Chapter 4 focuses on what is a truly enabling internal environment. It suggests this depends on corporate strategy, leadership, organisational culture and structures, access to resources, as well as human relations. The better the organisational support for social intrapreneurs, the higher the chances for new ideas to emerge and become successful in the marketplace. A lack of support might cause the social intrapreneur to leave the organisation and try to sell the idea elsewhere.

The third important aspect is the external enabling environment. We have seen many social intrapreneurs collaborating with NGOs, development organisations and other external partners in their innovation projects. This marks a major difference from traditional intrapreneurs, who do not or seldom collaborate with these actors in their projects. Chapter 5 explains how social intrapreneurs harvest good relationships with non-traditional stakeholders.

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Once a social intrapreneur has an idea inspired by social and environmental challenges and is able to explore that idea further within an enabling internal and external environment, we can expect some results and impacts. These impacts are detailed in Chapter 6, detailing how their projects helped social intrapreneurs with their careers (or not). Of course, social intrapreneurs compare their career advancement with others in the organisation but they also have other considerations. An important aspect in business is exploring how social intrapreneurism creates value for the company (tangible and intangible), and how these projects compare to other innovation projects or other companies aiming to use sustainability issues as leverage for innovation. Finally, we explore the legacy that the innovations brought forward by social intrapreneurs leave in society.

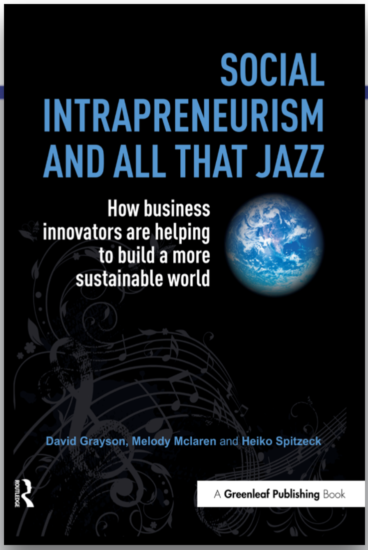
With these first six chapters we explain the relatively new phenomenon of social intrapreneurism. Obviously, we have learned a lot during the last few years in researching the topic, talking to social intrapreneurs and their godparents, engaging with specialists and piloting programmes aiming to help social intrapreneurs to have more success with their ideas. Chapter 7 therefore gives some recommendations based on our collected insights and experiences especially to social intrapreneurs and managers.

When Muhammad Yunus founded the Grameen Bank in 1983 nobody was talking social entrepreneurship. When Grameen received the Peace Nobel Prize in 2006 *everybody* was talking social entrepreneurship. Today few people are talking social intrapreneurism. However, we feel that we are at the beginning of a new era in which people start being change-makers in their everyday jobs, leveraging their organisation's capabilities to address social and environmental issues innovatively. Therefore, Chapter 8 provides an outlook on how this future might come about. Already today we can see the formation of various networks, but much more can be done in terms of connecting people, inspiring others, developing social intrapreneurs and supporting research.

In our Conclusion, we will wrap it all up in our last song during this gig. We might have spotted the beginning of a completely new way of doing business with social intrapreneurism. A way that uses the power of business for good. However, this movement, our 'big band', needs many more gigs to happen all around the world. We look forward to seeing you on stage.

CHAPTER 2

RECOMMENDATIONS AND PRACTICAL TIPS



This chapter is excerpted from

Social Intrapreneurism and All That Jazz: How Business Innovators are Helping to Build a More Sustainable World

by David Grayson, Melody McLaren and Heiko Spitzeck.

Learn more

RECOMMENDATIONS AND PRACTICAL TIPS

Excerpted from *Social Intrapreneurism and All That Jazz*

All our research, the interviews with social intrapreneurs and their godparents, and our own learning journey since 2009 enable us to give some recommendations and practical tips for aspiring social intrapreneurs and managers who want to tap into their potential.

For social intrapreneurs aspiring to be 'bandleaders'

Know who you are and what really matters to you

This may seem obvious but it's harder than it looks. All of us cultivate romanticised images of who we are—or could be—with desirable attributes such as attractiveness, power, popularity, wealth, compassion and generosity ... the list goes on and on.

The journey of the social intrapreneur can be exciting and fulfilling but, like other challenging life adventures, it can be long and arduous as well. So it is worthwhile taking time at the beginning (and the middle and the end) to do a reality check on *you*. Understand your passions, your 'big ideas', your strengths, as well as your weaknesses, in knowledge and temperament.

First, do you *really* want to be a social intrapreneur? This will involve a lot of extra 'woodshedding' work that may not be (and most likely isn't) part of your job description and for which you may not be rewarded.

To realise his vision of creating Accenture Development Partnerships, Gib Bulloch was required to forgo the normal perquisites of salary and status enjoyed by his peers in a major management consultancy. Other social intrapreneurs we interviewed echoed the theme of self-sacrifice in pursuit of their dream.

If your goal is the fastest possible progression up the corporate ladder and you want to maximise your earnings, the experiences of others suggest that becoming a social intrapreneur may not be a smart career goal. This is not just a job; it is a vocation. So ask yourself these questions:

- How important is the idea to me?
- How much personal time and energy am I prepared to invest?

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- What types of role do my skills and temperament suit me to play?
- In terms of my discretionary time to push things that matter to me, where am I likely to have most effect?
- Am I prepared to lose my job if this doesn't work out?

Provided they have done their share of woodshedding, jamming and paying their dues, jazz musicians can become bandleaders at any age. Trumpeter Laura Jurd, shown leading her own octet at a 2013 Herts Jazz Club concert while still in her early twenties, had already won the 2011 Dankworth Prize for Jazz Composition, with the winning piece premiered at Ronnie Scott's Jazz Club in London, and garnered the 2012 Worshipful Company of Musicians Young Jazz Musician Award.

Similarly, social intrapreneurs can lead their own project teams even at a comparatively young age if they have earned the trust of their managers and other colleagues. Writing in *the guardian* (20 September 2013), Emma Stewart of *Autodesk* noted that 'with lots of technology savvy young employees, the new crop of social intrapreneurs is likely to grow in numbers and influence.'

Even if you decide that being a social intrapreneur is not for you, there can still be ways inside or outside the business where you could make a positive social and/or environmental contribution without the intense commitment that being an intrapreneur entails.

> Not everyone is born to be a risk taker or an entrepreneur but that does not mean they are not capable of coming up with a product or an idea that is powerful enough to change the shape of a business sector or an industry. The key for decision-makers is to be receptive and willing to listen to the ideas of junior employees—they might just have a concept which will catapult their company way out in front of the competition.
>
> Company leaders should always be aware of the talent and innovation that may be lurking undiscovered within their own organisation. Intrapreneurs are a very special breed capable of working within the hierarchy of an organisation but also have the ability to act and think outside the box (Caan 2013).

Identify your passion, your big social intrapreneurial idea

And if you don't already have something, can you get an idea from the following examples?

- Existing company–NGO partnerships (e.g. Marks and Spencer's Oxfam voucher to spend on new clothes if old ones taken to an Oxfam store, which in turn led to idea of Shwopping, came from an M&S Finance team staffer)
- If you reflect on your **volunteering or extramural interests** outside work, does that suggest something? Or else volunteer; seek a short secondment with a company partner NGO operating in the field you are interested in?
- Remembering Peter Drucker's maxim that 'every social problem, every global issue, is a best opportunity in disguise' and thinking about your company's core competences, where are there business opportunities 'in disguise' for your company? You might want to look at the emerging post-2015 United Nations Sustainable Development Goals for inspiration
- Has your employer identified challenges the company is facing in embedding sustainability, for example, as Unilever has summarised its current difficulties in fully implementing its Unilever Sustainable Living Plan?
- Is there research commissioned or sponsored by the company that has not

been pursued? One social intrapreneur has used an MSc thesis co-sponsored by her employer as the basis for her project for low-cost, prefab homes for base-of-pyramid markets

- Look inside and outside your company for opportunities for experiential learning programmes that you might apply for, to help you to locate your passion such as Leaders Quest. For example, Graham Simpson went on GSK's Pulse programme and saw the need for simple diagnostic tests
- It might also be revealing to compare the sustainability challenges your company or sector is facing and how the current innovation pipeline responds to those challenges. While working for a big consumer brand company in Brazil, we realised that management defined lower- and middle-class segments as growth opportunities but virtually none of their innovation projects catered for these customers

Once you have identified your passion, follow it. But also be prepared to adjust your idea in the light of experience. First Movers say that many of their participants have changed their ideas during the programme, sometimes fundamentally. Indeed, one of the most successful social intrapreneurism projects, Vodafone's M-PESA, started out proposing a very different model.

Be prepared for a lot of 'woodshedding'

You will need to do lots of work—both within and beyond your 'day job'—to ensure you have acquired a deep knowledge of:

- **Your business and industry,** its core purpose and mission; how it creates value, both for investors and other stakeholders, drawing on the power and resources of its unique extended community, and how it serves society at large
- **Your profession or function,** for example, marketing, engineering, procurement, and how it serves, or impacts adversely on, others in your sphere(s) of influence
- **Sustainability issues.** Whether you're interested in climate change, human rights, poverty or other societal issues, you need to understand how you and your business can contribute to addressing these issues. The best way is to go to the roots of the problem, which might be down the supply chain

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at manufacturers in Asia, for example

It may be helpful to engage one or more partners from a charity or not-for-profit organisation to help you think this through. This can enable you to develop a 'helicopter view' of the 'system'—how businesses (and entire industries), NGOs and governments working together can improve the quality of human life in specific ways, whilst minimising adverse environmental impacts.

Watch and learn how senior executives make decisions and how they argue. It might be interesting to interview some successful corporate change agents and see how they did it. You might also pitch your ideas to a friend working in finance to see how to express yourself better in financial language.

> Sharpen your own business understanding, your business acumen. Really understand the drivers, pressures, priorities and challenges of your key commercial constituencies. This is fundamentally important. In order to do that, you really need to be getting out there and forming relationships with key people in the organisation at different hierarchical levels. Commercial folk, country heads, management heads of different operations, global corporate functions, whatever is relevant to what you want to drive. Form good-quality relationships—understand their world. Then identify how your agenda maps onto theirs and how to contribute to their success (Dorje Mundle of Novartis).

Not everyone wants to start out by doing their deep thinking with others, however. Like 'woodshedding' musicians, many prefer working through their ideas in private, as Chris Harrop, Group Marketing and Sustainability Director at Marshalls, did when he was developing Fairstone (Harrop n.d.), the company's range of sustainably sourced Indian sandstone products:

> I don't network with people and talk about these things ... I like reading and things that challenge my brain. I also like taking models and working through them, have the business become more successful by using those models.

Once he began to research his ideas, Chris did what others had not done: he travelled to the developing world to understand in depth how supply chains worked.

Gifford Pinchot, who first coined the term 'intrapreneur' and 'intrapreneurism', recommends 'working underground as long as you can. Publicity triggers the corporate immune system.'

Pay your dues

Trust is paramount in all business dealings, no more so than when you are pitching a truly new idea that will require others to support you. Only by 'paying your dues' in an organisation—performing well enough, long enough—will you earn the confidence of your peers and managers to risk investing corporate time and resources in any pilot project you propose.

Jo da Silva, the founder of Arup International Development, noted that, along with presenting 'a diagram that explained the spectrum running from philanthropy to major business opportunity', which she presented at Arup's Annual Group Meeting, what helped persuade directors to back her project was that 'I was an insider coming in with a big idea. There was a long-term relationship. I could present that in a business framework. This isn't about making money but it's not about philanthropy, either.'

Paying your dues includes being a good 'sideman' and 'comping' for (accompanying) others as well as 'soloing'. Supporting the ideas and projects of your colleagues, as well as advancing your own ideas, immerses you in the political ebb and flow of daily corporate life. Think beyond scoring points for your own ideas in the short term to building up the organisational knowledge and social capital you will need to launch your project later on. As Maggie De Pree points out, 'negotiating the system' is an essential component of the 'Cubicle Warrior' toolkit. Become, as Maggie advises, not a martyr but a 'graceful warrior'.

Be prepared to share any kudos received and share credit widely. Heed the wisdom of Deng Xiaoping: 'It doesn't matter what colour the cat is as long as it catches mice.'

RECOMMENDATIONS AND PRACTICAL TIPS

Excerpted from *Social Intrapreneurism and All That Jazz*

Join in with your corporate 'jam' sessions

Every team or organisation will have created the equivalent of 'jam sessions', such as brainstorming meetings (face to face or online), often in environments where people can relax informally, such as a corporate café or perhaps an off-site location. These are the places and times where you will have opportunities to try out new ideas, bounce them off others, play with them and refine them.

Nicolai Tewes, Senior Vice President Corporate Affairs at Allianz, describes how corporate culture can support the flow of ideas:

> You need a culture of dialogue, people able and willing to listen and discuss ideas. Interest to know how things are seen from the outside ... There is a genuine interest to talk, debate listen, consult with externals.

By immersing yourself in the ongoing stream of dialogue in your organisation—speaking the language of others, which reflects your understanding of them—you are more likely to be heard and less likely to activate the 'corporate immune system', which Gib Bulloch has identified as

> the aspects of HR, culture, strategy and process discipline that are unleashed like anti-bodies against any initiative that dares to be different. They act as the corporate's defence mechanism and when combined, can often provide sufficient inertia to maintain the status quo.

Start building your 'band'

> If you want to travel fast, travel alone; but if you want to travel far, travel with others (American Indian proverb).

While you are paying your dues, comping or soloing and being a 'sideman', you need to start thinking about building a community that could support the development of a project idea. A collaborative community is another essential component of the 'Cubicle Warrior' toolkit.

You will be instinctively drawn to like-minded people who (1) share your interests in sustainability issues and innovation; (2) possess useful skills, experience,

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Excerpted from *Social Intrapreneurism and All That Jazz*

temperament and networks that complement your own; and (3) might be prepared to work with you on developing a pilot project. These are the people with whom you might start a small project 'band' to develop a pilot project. Begin to map out your stakeholders, based on these criteria.

While some suggest 'networking' is only one letter different from 'not working,' networking is a crucial aspect of being a successful social intrapreneur. Two good books on networking are *Networking: The Art of Making Friends* (Stone 2001) and *The Ultimate Guide to Successful Networking* (Stone 2004).

Mike Barry, who is now Director of Plan A as 'how we do business', at UK retailer Marks and Spencer and Chairman of the international CR coalition World Environment Centre, describes how he spent his first few years at Marks and Spencer before the launch of the Plan A for embedding sustainability by building up his internal networks and talent-spotting managers destined for fast-track promotion.

> Arun Pande, who oversaw TCS mKRISHI project to help small-scale Indian farmers, advises: 'It is important to build a team by convincing them to own your idea. Always be with them/defend them if they violate processes or rules in letter [but] not in spirit.'

Among the first people you recruit should be one or more 'godparents'. As stated earlier, this is a person, usually a senior manager (perhaps your own line manager), who can act as a power broker, networker, translator, listener, coach and mentor, who is open to your challenging ideas and prepared to take intelligent risks to test your ideas and establish 'proof of concept' and provide air-cover. As Gib Bulloch notes, 'Intrapreneurship can be lonely and isolated. The presence of a senior supporter, confidante or coach has proven to be crucial to success.' As it is so essential, be sure that you have backup godparents in case your support changes roles or companies.

Godparents can also cover for you when you apply the entrepreneur's motto that 'it is easier to ask forgiveness than it is to get permission'. Remember, ask for advice before asking for resources. And be smart about taking the advice when you have asked for it. If you do not have one or more godparents already, does the company have any mentoring or high-flyer, fast-track development programme that you could tap into to find a godparent?

Pick the A-Team, but don't recruit in your own likeness

One of my biggest learnings is the fact that to be successful you need to be surrounded by a great team of people. I'm lucky that I really have the 'A Team' in Accenture. The context we work in seems to act as a lightning rod for talent and I couldn't handpick a better and more capable team of people than the ones I have to work with now. It's important to take people who are good at the things you are not good at, or interested in the things that you're less interested in. Diversity in my mind is what makes great team (Gib Bulloch, Accenture Development Partnerships).

Recruit 'band members' from beyond your company

Remember that your 'band' does not have to be restricted to people working inside your company. We discovered from our research that one of the defining characteristics of successful social intrapreneurs is that they can connect and collaborate with key contacts *outside* their organisation, often working in other industries or sectors, in helping them build momentum for a project.

One instance is Hugh Saddington of Telstra working with WWF Australia described in Chapter 1 (pages 39–41). In another example, Chris Harrop worked with journalists from UK broadsheet papers to help make the case for using responsibly sourced materials that did not entail the use of child labour in producing the Indian sandstone used in Marshalls' products:

> I arranged for *Guardian* and *Daily Telegraph* journalists to go to India independently to see it [the child labour situation]. In both those cases they had full-page articles in those newspapers on the issue and, gratifyingly, what I

was doing about tackling the problem. This is using basic marketing to communicate and drive an issue through. You can use marketing in a positive way—but greenwash will be found out.

Working with partners in different organisations and sectors can be extremely challenging. Organisations such as The Partnering Initiative offer short courses to help build the skills and knowledge needed for collaborating with multiple stakeholders.

Skilled jazz composers are great storytellers, able to engage audiences with a wide range of experiences in highly nuanced forms. Billy Strayhorn's famous final composition, 'Blood Count' - performed here by Christian Brewer (alto), Andrea Pozza (piano), Luke Steele (bass), Steve Brown (drums) - communicated the suffering, anguish and hopelessness of his battle with esophageal cancer by writing this mournful ballad. Strayhorn's musical colleague, Duke Ellington, was so moved by the composition that he never performed it again after recording it in a studio session (source: www.allmusic.com/song/blood-count-mt0010956393).

We found that successful social intrapreneurs are also great storytellers, inspiring their colleagues to take action with narratives that appeal to the heart, alongside a solidly constructed business case that appeals to the head.

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Excerpted from *Social Intrapreneurism and All That Jazz*

Compose new pieces for your 'band' to perform

When you have done your preparatory woodshedding, earned the trust of your peers and managers by 'paying your dues' in the organisation and supporting others' projects and tested your initial ideas in corporate 'jam sessions', you will be ready to present a 'composition' of your own—a pilot project proposal—which you can invite your fellow 'band members' to support and perform.

However, it will help if your 'composition' (a form of storytelling) is as appealing as possible to your 'audience'—initially a limited number of close peers and managers in a small, trusted ensemble—and, just as important, to you. 'Storytelling: 70% of my job!' (Gib Bulloch, Accenture Development Partnerships). Drawing on the principles of great corporate storytelling presented in a Doughty Centre 'How To' Guide on knowledge management (McLaren and Spender 2011), which in turn builds on the work of Van Riel (2000), ask yourself if your composition/story shows the C.A.R.D.S: is it:

Coherent?

Does it evoke the company's purpose and character, taking key stakeholders and (business and sustainability) challenges into account?

Is it compelling enough to get you up and eager to work on it every day?

Authentic?

Would the proposed project fit the company's true values and purpose? Does pursuing social intrapreneurism fit with what you truly value, your long-term career goals and your own skills and abilities?

You will no doubt be preparing a 'business case' for your idea, which is the rational analysis of how your project could make, or save, money, or create value for the business in ways that are more difficult to quantify (e.g. building reputation, creating goodwill with customers and other stakeholders). This is the appeal to the *head*.

This is one of the differences between what a social entrepreneur and a social

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intrapreneur needs to do. The late Malcolm Lane, who, as head of Tata Consultancy Services, saw many would-be social intrapreneurs, used to complain how frequently they simply had not done their homework or thought about how their idea was good for the business. So develop a business case.

Hugh Saddington, General Manager, Market Strategy and Analytics, Telstra Enterprise and Government, overcame initial scepticism about the relevance of climate change to the company, by co-producing a White Paper on using information communication technology and sustainability with WWF Australia (Saddington and Toni 2009). By engaging WWF, Saddington was able to take the 'heat' out of an internal political debate through presentation of facts by a reputable not-forprofit organisation.

However, presenting an idea that also appeals to the *heart*—resonating with others (and you) on an intuitive, emotional level can be just as, perhaps even more, powerful than a numbers-based business case on its own. This is especially true if it is a genuinely new idea whose potential financial value to the company is unknown but which nevertheless ties directly to the company's core purpose in a direct way.

When appealing to the top directors of global engineering consultancy Arup to create a start-up within the business to 'focus exclusively on working in developing countries on projects that contribute to social well-being and are sustainable in the environmental sense', engineer Jo da Silva cited the 'key speech' by founder Ove Arup in 1970 that had inspired her to join the firm in the first place. This speech highlights the importance of a humanitarian approach to business, uncommon in 1970, which proposed:

> [there are] two ways of looking at the pursuit of happiness: One is to go straight for the things you fancy without restraints, that is, without considering anybody else besides yourself. The other is: to recognise that no man is an island, that our lives are inextricably mixed up with those of our fellow human beings, and that there can be no real happiness in isolation. Which leads to an attitude which would accord to others the rights claimed for oneself, which would accept certain moral or humanitarian restraints. We, again, opt for the second way.

Translated into the jazz metaphor, Jo had done her full share of woodshedding, jamming and paying her dues as a 'sideman' before proposing her new composition to the corporate 'big band'.

Relevant?

Is it relevant to the company's current business or sustainability activities? Does it build on any existing company–NGO partnerships or existing corporate programmes that would make adoption easier? For, example: the Marks and Spencer Oxfam voucher scheme led to the idea of Shwopping, proposed by an M&S Finance team staffer.

Does it address challenges identified by your company in embedding sustainability? The Unilever Sustainable Living Plan integrates sustainability into the company's strategy, brands and innovation. A significant proportion of the research and development budget is committed, via the Unilever Ventures initiative, to finding sustainability-led technologies.

Does it resonate with the individual(s) in your audience? Depending on your audience, you may have to appeal to head or heart—or both. This requires being a great listener, which by now you should have become through participating in corporate 'jam' sessions. Be ready to tailor your style of 'music' for different audiences. Specific tips from social intrapreneurs include the following:

Xerox's Dab Godamune advises that it is easier if you are proposing something entirely new, rather than a better way of doing something that the company already does, because with the latter there may be vested interests against you—in which case, avoid being too critical of the status quo. Chris Harrop, Marshalls, says:

> You've got to really understand the issues. It's really easy to say bonded labour is a problem. You've got to visit, understand, deeply analyse what's going on…come back and convert those issues into messages and language that resonate with people in the UK, your board, your organisation. This must never be seen as a personal moral crusade.

Is it relevant to what you do within the organisation? Is it part of your 'day job' or social/environmental projects you already support, perhaps through volunteering?

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Excerpted from *Social Intrapreneurism and All That Jazz*

Dynamic?

Will it be possible to adapt your idea in response to ongoing dialogue with your colleagues and other project stakeholders or other changing conditions?

Sustainable?

Will your project create value that balances both business needs, stakeholder demands and sustainability objectives over time?

Creating social or economic value is not enough. To be truly sustainable, you need to demonstrate how your project would save the company money or make it money, or otherwise help the business.

Key lesson? Almost disguise social aspects and present as helping business to grow revenue—can still talk about sustainability but emphasise business—then people happier to talk (Hugh Saddington, Telstra).

Charity doesn't work; but enabling people in developing countries to work their way out of poverty, that's what really works—has to be balancing the social, economic and the environment (Chris Harrop, Marshalls).

Be a great bandleader

Running a social intrapreneurism project, according to those we know who have done it, requires persistence and resilience in the face of adversity as well as generosity and a range of other emotional and social intelligence capabilities.

Here are three quotes from social intrapreneurs who have all survived their share of organisational challenges during their corporate careers:

> It's quite lonely, you live on self-belief and determination (Jo da Silva, Arup International Development).
>
> Don't give up—this is where dogged determination comes in. In the early days, I was accused of all sorts by competitors, trade associations, the media. It would have been easy to sweep it under the carpet (Chris Harrop, Marshalls).

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Excerpted from *Social Intrapreneurism and All That Jazz*

> Know which policies you can bend or break—how close to wind you can sail without getting sacked! (Gib Bulloch, Accenture).

All three of the individuals quoted above are still working in their organisations, suggesting that perhaps what matters most is not whether the sustainability mindset of the social intrapreneur is aligned with organisational culture, but whether the social intrapreneur is able to recognise fully the cultural challenges they face in developing their new projects and have the skills and emotional intelligence required to overcome these.

Don't change companies; change the company you're in

Gib Bulloch offers this additional piece of advice to aspiring social intrapreneurs who may be experiencing frustration or loneliness:

If you're seeking a new challenge or if you want to have more social impact and meaning from your job, don't change companies, change the company you're in. Many people reach a stage in their careers or jobs where they're looking for a bit more meaning from their work. They want to do something different or are frustrated with the role they're in. I would argue that rather than going down the normal route of sharpening the résumé and simply changing jobs, the potentially more impactful option would be to change the company—or sector—in which you are working.

That may sound a bit glib and I'm not overinflating the amount of change we've had in Accenture, but small positive change in large organisations equals impact. People are often most effective at doing that when they've been in a company for a few years. Who else knows the key people as well as you do? You've developed an internal network and know how to cut corners on policy and often who the right people are to get things done. Often these people are not the most senior. Social Intrapreneurs will be most effective when they've got these qualities—and they can't be developed overnight in a new company. Experienced employees should think carefully before needlessly squandering that potential for change.

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Excerpted from *Social Intrapreneurism and All That Jazz*

Be true to your goals, but be flexible and realistic about the ways to achieve them. Never give up! There will always be people who will say no. If you approach a brick wall, step back—you may find it's not made of brick or not so big. James Inglesby of Unilever faced great initial scepticism from country management in Ghana but now they are huge supporters.

In the case of Eagle Lager, NGOs had expected that SABMiller would adopt a philanthropic approach. Ian Mackintosh resisted; 'not wanting to create dependency', he 'wanted to produce the relationship of a "willing seller" and a "willing buyer"'.

Be determined to make it happen where you think it's right for the organisation. Hugh Saddington of Telstra advises 'perseverance—there were times when it felt like I was fighting a guerrilla war inside the organisation'. Ask yourself: Am I prepared for reverses and rejections? Am I prepared to carry on when others say 'no'? Could I modify my proposal so as to neutralise objections when I meet them?

Building personal resilience: a view from a social intrapreneur-turned-coach

A former social intrapreneur at Virgin's corporate foundation, Virgin Unite, Heidi Kikoler dedicates her time now to championing social intrapreneurs as a Leadership Coach.

For intrapreneurs navigating the system of brick walls without a roadmap, Heidi reinforces the importance of actively cultivating one's personal resilience:

> We must remember that we aren't born resilient, but rather we have the amazing ability to become resilient and bounce back from enormous adversity. The most effective way to do this is through self-accepting and non-judgemental self-observation. A deeper understanding of how we uniquely think, feel, and behave will enable us to create personally relevant strategies to stay resilient and effective.

Heidi suggests that the benefits of deepening your self-awareness go

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well beyond resilience as it can bring much needed clarity around what an individual wants to achieve in his or her career and life. For intrapreneurs, this can help reinforce their self-belief and ground their sense of purpose.

To begin building your resilience, Heidi suggests you answer the following questions either in the moment of adversity, or better yet in advance of it:

- What am I thinking?
- What am I feeling?
- How am I behaving?

Once you've observed these three things, she recommends you ask yourself this next question in order to enable you to apply your observations in a constructive, forward-moving way in the future:

- How do I want to respond differently next time?

Heidi also recommends that intrapreneurs sharpen their knowledge around positive psychology because even what may appear to be the simplest of tricks can have a profound impact on cultivating resilience, and generating positive emotions that have a range of benefits for intrapreneurs including enhanced creativity, personal magnetism and ultimately happiness.

Let go

The hardest moment can come when and if you need to hand over the leader's baton to a new bandleader who can take your band in an entirely new direction to ensure it grows to scale.

Roberto Bocca, who spent four years developing the BP Renewables business and grew it to 400,000 customers—at that time the biggest such business in the world but still tiny by BP standards—was forced to relinquish his fledgling operation to a member of his Indian staff team to continue developing it. But he was philosophical about the outcome, observing that if he had not been in BP, he would never have had the opportunity to start the business in the first place. The

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experience enabled him to make the transition to the World Economic Forum, where he became Senior Director, Head of Energy Industries.

Athlon's Kenan Aksular recognised that while it might be better for his career to be running the Mobility Scan consulting business he set up, his forte is start-up and early-stage intrapreneurship: 'I'm stuck at start-ups/earlier stages of new business development.'

Be prepared for adversity and recognise that despite your seeming success, you may still find 'events, events' undermines you and means that, like Roberto Bocca or Tom Nieuwenhuijzen of Van Nieuwpoort Group, you have to resign or are made redundant; or simply that as the project grows, it needs different types of people with a different skill set. Nick Hughes at Vodafone came to this conclusion in 2009 when he decided to leave the company and start a social enterprise, M-KOPA.

Gifford Pinchot has suggested in his Intrapreneur's Ten Commandments (which he says apply also to 'ecopreneuring and social intrapreneuring') has as his first commandment: 'come to work each day willing to be fired' (although he later modified this with the advice: 'don't ask to be fired; even as you bend the rules and act without permission, use all the political skill you and your sponsors can muster to move the project forward without making waves').

Ask yourself: Once the project is developed, am I prepared to hand it over to others to keep it running? How will I ensure that my project will survive and prosper, even after I've moved on to another project or company?

We end this section with quotes from some great jazz bandleaders embodying a range of practical tips for leadership in almost any walk of life:

> Running a band is a 24-hour-a-day job. A bandleader needs the heart of a hobo and more stamina than a gold rush pioneer … I consider good health a major requisite for anyone that wants to be a bandleader (Vaughn Monroe).
>
> The trick … lies in keeping your balance. Only one person can make you lose it. That's yourself (Benny Goodman).
>
> Don't play from habit. Read the notes and try to think that they are fresh and new … Don't see whether you can do it better this time than you did last time. That's not the point. Instead, try to see how well you can play it, period. Use it

as a challenge to your ability in itself (Artie Shaw).

There's one thing besides musical excellence that requires stressing ... And that's a well-rounded education. I don't mean merely the study of music theory and harmony... Anything that you can do to enrich that mind will help in the formulation of mature and interesting musical thoughts, adding depth to whatever you create (Paul Whiteman).

Kids take to music so naturally ... teach young kids the rudiments that they need to add to that natural rhythm and joy in music (Lionel Hampton).

A bandleader must improvise many things besides hot choruses ... Luck is everything, but it means nothing unless you're ready musically and morally to exploit it ... My own conception of luck can be defined as follows: being in the right place at the right time doing the right things before the right people (Duke Ellington).

The years of serious study I've had with legitimate teachers finally is paying off enabling me to write arrangements employing unusual, rich harmonies, many never before used in dance bands ... We were playing in the Meadowbrook early last spring [1939] and up front, all of a sudden, the band hit me. It was clicking. For the first time I knew it was playing like I wanted it to. It sounded wonderful. I didn't say anything—just drove home and told the wife. But I prayed it would last (Glenn Miller).

Work hard at bandleading, for it is gratifying work, indeed. Take what is in your heart, apply to the knowledge in your mind, add the skill in your hands, and there you have the best formula for how to become a bandleader (Xavier Cugat).

For managers learning to 'play the C.H.A.N.G.E.S.': seven habits to build successful social intrapreneurism

Based on our findings, we suggest the following habits that companies can practise to develop social intrapreneurism in their organisations.

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Excerpted from *Social Intrapreneurism and All That Jazz*

1. Cultivate 'café culture'

Create time and space for people at all levels of your organisation to learn, think and talk about what is happening in the wider world and how your business can be a force for good in it. This needs to be embedded into your culture, not siloed into formal training programmes or restricted to top management tiers. Like the social intrapreneurs we interviewed, people should feel free to 'think crazy stuff in any position and in any meeting'.

2. Humanise your organisation to promote egalitarianism and generosity

Our literature and interview evidence tells us that social intrapreneurism flourishes in egalitarian environments with flat hierarchies. People unencumbered by bureaucracy and politically induced fear will be free to think about 'their mainstream day jobs in the broadest way' and are more likely to take responsibility for innovation, sharing their ideas and learning with others with improved results.

3. Account for the social and environmental, as well as economic, value you create

Conventional accounting rules and time-frames make it difficult to develop socially innovative projects. Managers of aspiring social intrapreneurs should look for ways to assess the social and environmental, as well as economic, value that their proposed projects can create. This will help free them from the organisational 'treacle' that can prevent a good project from getting off the ground and open the door to truly new ways of doing business.

4. Network inside and outside your organisation to create consortia for action

As our interviews showed, successful social intrapreneurs built alliances with partners outside, as well as inside, the organisation. Cross-border and cross-sector partnerships can form the basis for powerful consortia for change. Senior managers need to be open to working not only with people in other departments, suppliers and other business partners, but also with other organisations in other sectors in order for these partnerships to work.

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Excerpted from *Social Intrapreneurism and All That Jazz*

5. Grow people into leadership roles for sustainable business

People given opportunities to develop self-confidence and skills for collaboration, to gain a deep understanding of the business and to 'do good' through volunteering and mentoring—and who are then recognised and rewarded for such behaviour—are more likely to develop into successful agents for social change, whether they become social intrapreneurs, 'tempered radicals' who effect change in more moderate ways, 'godparents' who facilitate the work of other change agents, or undertake other change agent roles.

6. Experiment with social intrapreneurism pilots that can be scaled up for impact

Our social intrapreneurs started with time-limited, small-scale projects, often in their spare time, at the margins of their organisations, which could provide proof of concept with minimal financial or reputational risk to the company before being scaled up further. While it is desirable to be able to predict or calculate return on investment for such projects, most pilots cannot be assessed against quantitative criteria and therefore alternative qualitative criteria will need to be used to define success.

7. Strategise to achieve sustainable business and societal goals

The ultimate goal is for leaders of the business to understand its wider societal purpose—encompassing the social and environmental, as well as economic, value it creates—and to develop business strategy, vision and values that encompass this more sustainable, as well as inspirational, purpose for the benefit of the business as well as society at large.

Jazz musicians learn to 'play the changes' of tunes: improvise musical lines in their solos that are appropriate to the sequence of chords of a particular jazz tune.

Managers who want to promote social innovation in their companies need to learn how to 'play the C.H.A.N.G.E.S.' described above (and Table 7.1 gives some questions for managers to ask when they are 'playing'). In other words, they need to cultivate the seven habits of managers that help create an 'enabling environment' for social intrapreneurism.

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Excerpted from *Social Intrapreneurism and All That Jazz*

Table 7.1 Playing the C.H.A.N.G.E.S.: questions for managers

C.H.A.N.G.E.S. model	CEO, executive director, strategic business unit head or country manager	Human resource managers	Innovation and new business development directors	Corporate responsibility/ sustainability directors
Cultivate 'café culture' that D.A.R.E.S. (Dialogue/ Autonomy/ Risk-taking/ Experimentation/ Sustainability) to foster social innovation	Are current business activities, market conditions, company history (including any collective memory about how any previous social intrapreneurs were treated) and corporate culture enablers or disablers of social intrapreneurism? If you do a quick audit of your division by comparison with the description of the enabling environment (pages 103–61), are there any glaring gaps, where some provision needs to be improvised, and if so, how?	Do you have regular 'café culture' events for sharing ideas across teams? Do you have any cross-department idea/sharing events on a regular basis? Have you tried IBM jam sessions? Or co-creation sessions like Cocriando Natura?	Do you have a 'not invented here' mentality or are you open to ideas from any source?	Do you share your sustainability challenges with employees, suppliers and NGO partners, e.g. Unilever Sustainable Living Plan?
Humanise your organisation to promote egalitarianism and generosity	If you map your company/division on an 'employee engagement and corporate sustainability matrix' where are you located and what directions are you moving in: up and right (more engaged and more sustainable) or the opposite, or static? i.e. what is the environment for social intrapreneurism?	Could you build up an existing employee volunteering programme to give talented employees exposure to environmental and social issues, which might stimulate social intrapreneurism?	Do you facilitate social innovation in your innovation pipeline, e.g. Green CAPEX (capital expenditure) Danone?	Are you working with HR to grow employee volunteering programmes into capacity-building for social intrapreneurism?

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Excerpted from *Social Intrapreneurism and All That Jazz*

C.H.A.N.G.E.S. model	CEO, executive director, strategic business unit head or country manager	Human resource managers	Innovation and new business development directors	Corporate responsibility/ sustainability directors
Account for the social and environmental, as well as economic, value you create	Do you account fully for the costs as well as the value that your company creates?	Have you incorporated achievement of sustainability goals into appraisals, compensation and promotion decisions? (see Danone)	Do you account for the social and environmental impacts that your new products and services create, e.g. 'green' design, lifecycle accounting?	Are you promoting true-cost accounting and integrating reporting to investors? Can you account for the full range of value (tangible and intangible) for your sustainability initiatives so your leadership team recognises their strategic importance?
Network inside and outside your organisation to create consortia for action	Are you a member of corporate responsibility coalitions or other stakeholder initiatives? Do you bring ideas from these groups into your company?	Do you send people to conferences where they can learn about social innovation? Are you integrating board membership of NGOs, coalitions, or initiatives such as LeadersQuest, ADP into development programmes?	Do you create 'open innovation platforms' that engage external stakeholders such as NGOs, e.g. Shell Energy Challenge?	Do you send people to conferences where they can learn about social innovation? Are you integrating board membership of NGOs, coalitions, or initiatives such as LeadersQuest, ADP into development programmes?

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Excerpted from *Social Intrapreneurism and All That Jazz*

Grow people into leadership roles for sustainable business	Is there a particular team within your reports that might be enthusiastic about piloting a programme to encourage social intrapreneurism? Are there any existing activities such as a successful sustainability team that might be built upon? Which of your lieutenants will instinctively understand what social intrapreneurism is all about, and run with it? What forthcoming events and diary dates do you have where I might talk about social intrapreneurism e.g. a staff webinar, a management development programme for high-flyers?	Does the company have any existing people development strategy that might be expanded to include social intrapreneurism? Does the company already have, or is there potential to experiment with experiential learning programmes that aspirant social intrapreneurs could benefit from? Do you have a mechanism to match potential social intrapreneurs with potential 'godparents' to form 'dynamic duos' in your organisation?	Do you recognise achievements in social innovation in your corporate awards and recognition schemes, e.g. GE Ecomagination?	How can you best help potential social intrapreneurs to find mentors and resources to develop their ideas? How do you identify potential social intrapreneurs in your own team and elsewhere in your organisation who could be helped by working with you or by personal development programmes?
Experiment with social intrapreneurism pilots that can be scaled up for impact	Does your growth strategy include any ideas to create 'shared value' through social intrapreneurism pilots?	Are there existing talent development programmes (internal or commissioned from external providers such as a business school or other executive education provider) where ideas about social intrapreneurism might be introduced?	Could you promote an internal innovation fund to draw out and nurture potential social intrapreneurs?	How can you best inform employees about global sustainability challenges, where the company is most needing help and new ideas to achieve its sustainability goals, and where you see the most fruitful areas for shared value innovation?

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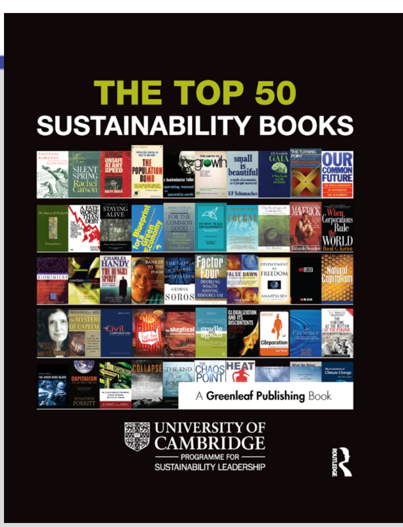
Excerpted from *Social Intrapreneurism and All That Jazz*

C.H.A.N.G.E.S. model	CEO, executive director, strategic business unit head or country manager	Human resource managers	Innovation and new business development directors	Corporate responsibility/ sustainability directors
Strategise to achieve sustainable business and societal goals	Any existing corporate programme, public commitment, 'BHAG' (big, hairy, audacious goal), strategy, corporate value, KPI (for your division) that you could link a drive on social intrapreneurism to?	Any existing corporate programme, public commitment, 'BHAG' (big, hairy, audacious goal), strategy, corporate value, KPI (for your department) that you could link a drive on social intrapreneurism to?	Any existing corporate programme, public commitment, 'BHAG' (big, hairy, audacious goal), strategy, corporate value, KPI (for your division) that you could link a drive on social intrapreneurism to?	Any existing corporate programme, public commitment, 'BHAG' (big, hairy, audacious goal), strategy, corporate value, KPI (for your division) that you could link a drive on social intrapreneurism to? How might social intrapreneurism fit in to your strategy for embedding sustainability in the company?

CHAPTER

3

THE FORTUNE AT THE BOTTOM OF THE PYRAMID



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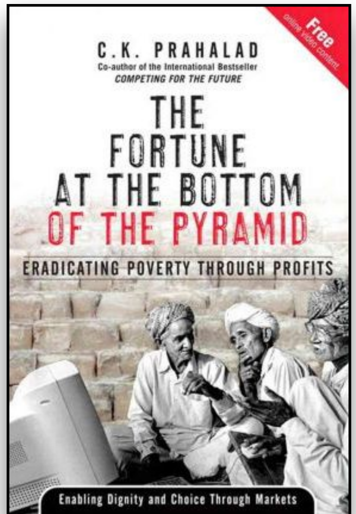
THE FORTUNE AT THE BOTTOM OF THE PYRAMID

Excerpted from *The Top 50 Sustainability Books*



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The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits
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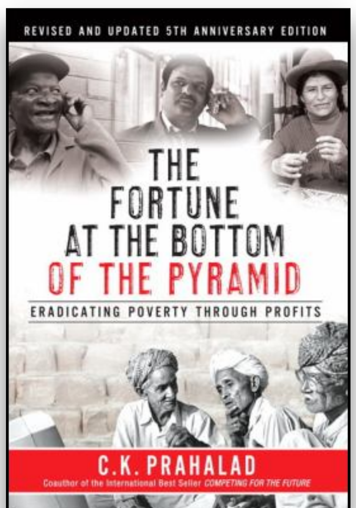


Current edn

The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits
Wharton School Publishing, 2009; hbk 978-0131467507; rev updated 5th anniversary edn

Key ideas

- We need to think of the poor as entrepreneurs and consumers, not victims needing handouts or charity.
- The poor, by virtue of their collective size and purchasing power, represent a significant market.
- However, this market has remained unserved or under-served because

THE FORTUNE AT THE BOTTOM OF THE PYRAMID

companies have failed to adapt their business model to suit the market conditions.

- Successfully serving the four billion people at the 'bottom of the pyramid' requires innovation in product design, marketing and distribution.
- It also requires debunking various myths about the poor, such as that they are a poor credit risk, or are only interested in low-cost, low-quality products.

Synopsis

The 'bottom of the pyramid' (BOP) refers to the global income distribution pyramid, where roughly four billion people live on less than $2 a day. The thesis of the book is that, although the per capita disposable income is low among the poor, collectively they represent a large market. The challenge, therefore, is to develop a business model that allows companies to serve this market profitably. Prahalad argues that this is not only possible, but imperative if we are going to make progress in tackling poverty.

The book begins by challenging many falsely held business assumptions about the poor, such as: the poor are not our target customers; they cannot afford our products or services; they do not have use for products sold in developed countries; only developed countries appreciate and pay for technological innovations; and the BOP market is not critical for long-term growth and vitality of multinational corporations.

The key is not whether BOP markets represent a massive opportunity, but rather how to capitalise on that opportunity. Prahalad suggests that companies must create the capacity to consume. This is based on three principles:

1. *Affordability*: without sacrificing quality or efficacy. This is not just about lower prices. It is about creating a new price– performance envelope;
2. *Access*: distribution of products and services must take into account where the poor live and work as well as their work patterns/schedules. This calls for geographical intensity of distribution; and
3. *Availability*: distribution efficiency is critical. BOP consumers cannot defer decisions since they purchase based on the cash they have on hand at the

given moment.

To be successful in BOP markets, businesses need a new philosophy of innovation and product and service delivery. Managers need to re-examine assumptions about form and functionality, about channels and distribution costs. Furthermore, BOP consumer problems cannot be solved with old technologies. Most scalable, price–performance-enhancing solutions need advanced and emerging technologies that are creatively blended with the existing and rapidly evolving infrastructures.

National and local governments can act as enablers of the growth in BOP markets. Prahalad calls this the Transaction Governance Capacity (TGC). A social revolution is also required, since the emancipation of women is an important part of building markets at the BOP. Empowered, organised, networked and active women are key agents, entrepreneurs and consumers among the poor.

Prahalad concludes that 'a measure of development is the number of people in a society who are considered middle class. More important, social transformation is about the number of people who believe that they can aspire to a middle-class lifestyle. Our goal is to rapidly change the pyramid into a diamond.'

THE FORTUNE AT THE BOTTOM OF THE PYRAMID

Excerpted from *The Top 50 Sustainability Books*

From the book

- Doing more of the same, by refining the solutions of the past . . . is important and has a role to play, but has not redressed the problem of poverty.
- We are all prisoners of our own socialization. The lenses through which we perceive the world are colored by our own ideology, experiences, and established management practices. Each one of the groups that is focusing on poverty alleviation – the World Bank, rich countries providing aid, charitable organizations, national governments, and the private sector – is conditioned by its own dominant logic.
- If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up.
- Charity might feel good, but it rarely solves the problem in a scalable and sustainable fashion.
- When the poor are converted into consumers, they get more than access to products and services. They acquire the dignity of attention and choices from the private sector that were previously reserved for the middle-class and rich.
- Both sides – the large firms and the BOP consumers – have traditionally not trusted each other. The mistrust runs deep. However, private-sector firms approaching the BOP market must focus on building trust between themselves and the consumers.
- The capabilities to solve the perennial problem of poverty through profitable businesses at the BOP are now available to most nations. However, converting the poor into a market will require innovations.

THE FORTUNE AT THE BOTTOM OF THE PYRAMID

Excerpted from *The Top 50 Sustainability Books*

About the author

Coimbatore Krishnao (C.K.) Pra halad (born 1941) is an Indian academic, management consultant and author, best known for his work on strategy.

Prahalad studied physics at the University of Madras (now Chenai). He worked as a manager in a branch of the Union Carbide battery company, before continuing his education in the United States, and earning a PhD from Harvard. He taught in India and America, eventually joining the faculty of the University of Michigan's Ross School of Business, where he is the Paul and Ruth McCracken Distinguished University Professor of Corporate Strategy and holds the Harvey C. Fruehauf chair of Business Administration.

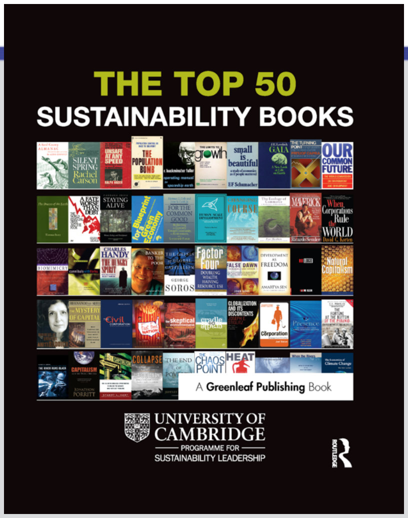
Prahalad is particularly well known for his groundbreaking work on corporate strategy, including on 'core competencies' (with Gary Hamel) and the 'bottom of the pyramid' (with Stuart Hart). His book with Hamel, Competing for the Future, was named the Bestselling Business Book of the Year in 1994. Less well known is that Prahalad was co-founder and became CEO of Praja Inc. ('praja' means 'citizen' or 'common people') before it was sold to TIBCO. He is still on the board of TiE, The Indus Entrepreneurs.

Prahalad has won numerous awards and is frequently cited as a 'top ten management thinker'. He is a member of the blue ribbon commission of the United Nations on Private Sector and Development and the first recipient of the Lal Bahadur Shastri Award for Contributions to Management and Public Administration presented by the President of India in 2000.

CHAPTER

4

BANKER TO THE POOR



This chapter is excerpted from

The Top 50 Sustainability Books

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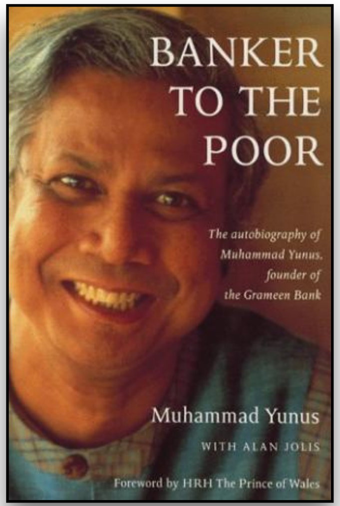
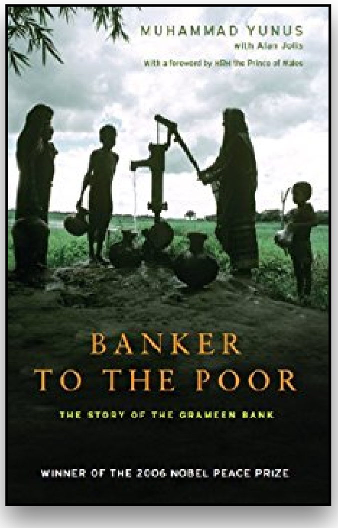


1st edn

Banker to the Poor: The Autobiography of Muhammad Yunus, Founder of the Grameen Bank
Aurum Press, 1998; 288pp, hbk; 978-1854105776



Current US edn

Banker to the Poor: Micro-lending and the Battle against World Poverty
Public Affairs, Perseus Books Group, 2003; 312pp, pbk, rev. edn; 978-1586481988

Current UK edn

Banker to the Poor: The Story of the Grameen Bank
Aurum Press, 2003; 338pp, pbk, new edn; 978-1854109248

Key ideas

- The poor are in a poverty trap because they lack access to credit. Poverty is not a natural state.
- Credit is a human right, as it has become indispensable in meeting basic human needs.
- The poor are creditworthy, contrary to popular beliefs that they are too high-risk and hence 'unbankable'.
- Everyone is an entrepreneur. Hence, microcredit creates a way for people to

BANKER TO THE POOR

help themselves.

- Providing the poor with access to credit and to information technology will eliminate poverty.

Synopsis

Banker to the Poor, essentially an autobiography of Muhammad Yunus and Grameen Bank, is a fascinating mix of economic arguments, personal anecdotes and inspiring stories. What became the Grameen Bank and worldwide microcredit movement began with a simple $27 loan in 1974 by Yunus, then an economics professor, to relieve suffering when Bangladesh was struck by a severe famine. Yunus lent money to 42 women so they could purchase bamboo to make and sell stools. In a short time, the women were able to repay the loans while continuing to support themselves and their families.

With that initial success, Yunus started an experimental microcredit enterprise in 1977. After failing to gain the support of traditional banks, he decided to set up his own 'bank to the poor', the Grameen Bank, in 1983. The idea behind the Grameen Bank is simple: extend credit to poor people and they will help themselves. This concept strikes at the root of poverty by specifically targeting the poorest of the poor, providing small loans (usually less than $300) to those unable to obtain credit from traditional banks.

At Grameen, loans are administered to groups of five people, with only two receiving their money upfront. As soon as these two make a few regular payments, loans are gradually extended to the rest of the group. In this way, the programme builds a sense of community as well as individual self-reliance. Most of the Grameen Bank's loans are to women and, since its inception, there has been an astonishing loan repayment rate of over 98%.

Historically, the poor do not have access to opportunities for economic development because financing is always geared towards those who have money, not to the poor. However, Yunus argues that the only way for the poor to escape poverty is to have access to these same opportunities through the provision of credit. On the issue of creditworthiness, he says: 'Why can't the poor control any capital? Because they do not inherit any capital or credit, nor does anybody give them access to capital, because we have been made to believe that the poor are

BANKER TO THE POOR

not to be trusted with credit – they are not creditworthy. But are banks people-worthy?'

The Grameen Bank is now a $2.5 billion banking enterprise in Bangladesh, while the microcredit model has spread to over 50 countries worldwide, from the US to Papua New Guinea, Norway to Nepal. It has also led to the development of other social enterprises, such as GrameenPhone, Grameen Check (loom-woven cloths), Grameen Fisheries Foundation, Grameen Cybernet and Grameen Shakti (energy).

The book is rich with Yunus's philosophy on everything from banking, economics and capitalism to education, poverty and business. His basic premise is that the current welfare state actually impedes the ability of the poor to escape poverty as it punishes poverty-freeing activities. Further, capitalism can enable the poor to escape poverty only if social impact is given a value, i.e. if it takes into account the externalities of positive social behaviour.

From the book

- **The poor, once economically empowered, are the most determined fighters in the battle to solve the population problem, end illiteracy and live healthier, better lives. When policy makers finally realize that the poor are their partners, rather than bystanders or enemies, we will progress much faster than we do today.**
- **We should judge the quality of life of a society not by looking at the way the rich in that society live, but by the way the lowest percentile of the people live their lives.**
- **Greed is not the only fuel for free enterprise. Social goals can replace greed as a powerful motivational force. Social-consciousness-driven enterprises can be formidable competitors for the greed-based enterprises.**
- **I propose that we replace the narrow profit maximisation principle with a generalised principle – an entrepreneur who maximises a bundle consisting of two components: profit and social returns, subject to the condition that profit can not be negative.**
- **Economic and social empowerment which creates income-earning opportunities for poor women and brings them into organisational folds will have more impact on curbing population growth than the current system of trying to frighten people.**

BANKER TO THE POOR

Excerpted from *The Top 50 Sustainability Books*

About the author

Muhammad Yunus (born 1940) is a Bangladeshi banker and economist, who has become the figurative and literal leader of the microcredit movement.

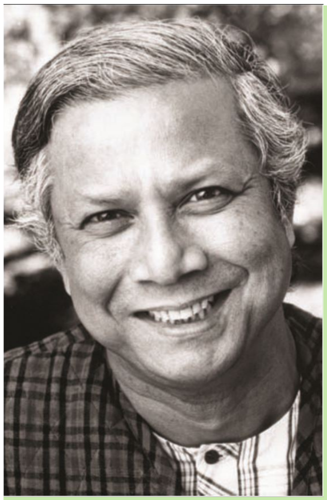
Born in 1940 in the seaport city of Chittagong, Yunus studied at Dhaka University in Bangladesh, then received a Fulbright scholarship to study economics at Vanderbilt University. He received his PhD in economics from Vanderbilt in 1969 and the following year became an assistant professor of economics at Middle Tennessee State University. Returning to Bangladesh, Yunus headed the economics Department as a professor at Chittagong University.

Yunus established the Grameen Bank in Bangladesh in 1983, which today offers credit to seven million poor people in Bangladesh. From 1993 to 1995, Yunus was a member of the International Advisory Group for the Fourth World Conference on Women, a post to which he was appointed by the UN Secretary-General. He has served on the Global Commission of Women's Health, the Advisory Council for Sustainable Economic Development and the UN Expert Group on Women and Finance.

Yunus is the recipient of numerous international awards for his ideas and endeavours, including the 2006 Nobel Peace prize, jointly with the Grameen Bank. In early 2007 Yunus showed interest in launching a political party in Bangladesh named Nagorik Shakti (Citizen Power), but later discarded the plan. He is one of the founding members of Global Elders.

BANKER TO THE POOR

Excerpted from *The Top 50 Sustainability Books*



In his own words

(2008 interview)

Reflections on the book

I was teaching as an economics professor in one of the universities in Bangladesh when we were hit by a famine. So I felt totally empty. All of the economics theories sounded so hollow and useless. So I thought why don't I go out and see if I can reach out to another human being. Be next to him or her and help the person to overcome any difficulty for that particular day.

All this academic life that I had all these years gave me a bird's-eye view – I can see the whole world, I can see the terrain, but I don't see the details. Now coming to the village, I see the details in very, very clear terms. What I'm getting now is the worm'seye view. This is an advantage. If you have the worm's-eye view, then you can find the solution right away.

The role of business

I see that now the businesses are trying to discover a new world of poor people, and they call it 'bottom of the pyramid', 'the undiscovered territory' and so on. And I feel uncomfortable with that kind of attitude. It's not getting them out of that situation. You want to make yourself rich out of the people who live there. Our primary responsibility is to lift them, rather than see it as an opportunity to make money. We should not look at the poor as consumers of our product. We should see them as potential producers, potential creative people who can take charge of their own life and transform it.

Today, I would say corporate social responsibility is a fund given to the

BANKER TO THE POOR

public relations department, which they use more for promotional purposes for the company, rather than genuinely touching the life of the people. That money, which is given as corporate social responsibility, could be used to create a social business – a business that is exclusively devoted to achieving a social goal.

Looking to the future

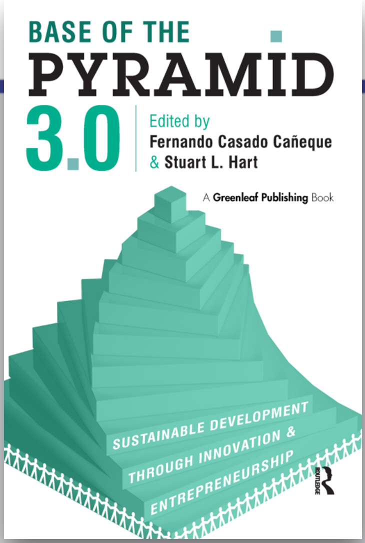
I'm totally convinced that we can create a world where there'll be no poor person at all. People have the capacity, the unlimited potential to change their own life and contribute to this planet. But, unfortunately, they aren't given a chance. We're not asking for special chances or special policies for them. We're talking about whatever benefit – whatever chances – that others have at the top of society.

Human beings are packed with unlimited capacity; they can change their life. And poverty is an artificial imposition on human beings; it's not something that they are born with. And if you remove that artificial situation they will come out of poverty. The thing that we need to change is the economic framework. We have to include another type of business and I'm calling it social business: business totally dedicated to addressing social issues and problems. Once we bring these things together, I think we can create a world without poverty.

CHAPTER 5

BRIDGING THE PIONEER GAP

FINANCING THE MISSING MIDDLE



This chapter is excerpted from

Base of the Pyramid 3.0: Sustainable Development through Innovation and Entrepreneurship

edited by Fernando Casado Cañeque and Stuart Hart.

Learn more

BRIDGING THE PIONEER GAP

FINANCING THE MISSING MIDDLE

Excerpted from *Base of the Pyramid: 3.0*

Inclusive innovation is the market-driven development of something new with impact together with low-income groups. Offering significant market opportunities, inclusive innovations are developed by increasing numbers of companies worldwide. However, it is becoming clear that there is still a financing "missing middle" between microfinance and the regular financial instruments available to support companies developing products and services for the low-income groups. This missing middle is particularly predominant in financing BoP ventures in the early stages of development. This chapter explores the nature of the capital needed; the challenges for companies to obtain it; and the emerging financial instruments offered by public authorities, corporate and impact investors to fill this financial missing middle.

Worldwide, there is a strong likelihood that rapid growth and technical change will increase inequality unless explicit efforts are made to harness science, technology and innovation to address the needs of low-income groups, the so-called base of the pyramid (BoP). To develop and deliver high-performance products and solutions at an ultra-low cost for the benefit of the BoP, new approaches involving the private sector are needed.

Such approaches lead to new roles for the private sector, from multinationals and large national firms to small and medium-sized enterprises (SMEs), as well as nongovernmental organizations (NGOs). There is a growing conviction that businesses can participate in alleviating poverty in economically feasible ways. The size of the overall market opportunity for essential goods and services for the BoP—housing, rural water delivery, maternal health, primary education and financial services— was estimated as representing a $400 billion to $1 trillion market opportunity over the next ten years (Hammond *et al*. 2007).

When seen as value-demanding consumers, hardworking producers and creative entrepreneurs, low-income groups have the potential to change their own lives by being involved in the launch of innovative business ventures that create new jobs and access to essential services, such as water, sanitation and food and nutrition security. Such specific and challenging BoP business ventures can offer great opportunities for a new and fast-growing class of "impact investors" that aim for a combination of social, environmental and economic impact and are willing to accept higher risk and lower returns.

BRIDGING THE PIONEER GAP

FINANCING THE MISSING MIDDLE

Excerpted from *Base of the Pyramid: 3.0*

However, it is becoming clear that there still is a financing “missing middle” between microfinance and the regular financial instruments available to support companies developing products and services for the BoP. This missing middle is particularly predominant in financing BoP ventures in the early stages of development. Potentially ground-breaking initiatives—from local entrepreneurs as well as innovative multinational enterprises (MNEs) and SMEs in industrialized economies—remain without financing at the early stage of entrepreneurial development, because impact investors have difficulties assessing in a satisfactory manner the risks involved, and entrepreneurs are insufficiently able to present themselves as “investment-ready”. A major constraint for private parties to engage and invest in inclusive innovation is the absence of seed capital targeted at the stimulation of innovative solutions during the different stages of the innovation cycle—from the early stages of opportunity identification, through later phases of upscaling potentially successful solutions (Dalberg 2011). In order to convince investors, entrepreneurs need to bridge the “pioneer gap” (Koh *et al*. 2012).

In this chapter, after a brief note on BoPInc case studies (Box 6.1), we first look at the unmet financial needs of organizations developing products and services for the BoP. We then explore the main challenges that they are facing especially in the pioneering phase of developing and validating. Finally we provide an overview of emerging solutions to provide adequate financial mechanisms to support inclusive innovation.

Box 5.1 **About our BoPInc case studies**

The BoP Innovation Center (BoPInc) is an independent foundation that provides services and tools to develop, learn about and accelerate inclusive businesses in BoP markets. Together with its strategic partners it has created the BoPInc alliance. The current strategic partners are: Wageningen University, The Netherlands Organization for Applied Scientific Research (TNO), ICCO Cooperation, SNV Netherlands Development Organisation, Nyenrode Business University, Global Compact Network The Netherlands, Ashoka, and Rabobank Foundation. These partners represent a worldwide network in a broad variety of industries and organization types. BoPInc makes use of the resources and networks of these strategic partners to develop inclusive business strategies.

In the past three years, in developing these business strategies BoPInc has been confronted with the challenge of accessing the right financial mechanisms to start or grow inclusive business, whether it is to find appropriate start-up capital to develop a new milk cooling device in Ethiopia or to sustain a long-term business partnership in our agri-programme 2SCALE. BoPInc has worked with donors such as the Dutch Ministry of Foreign Affairs, financial institutions such as Rabobank or private foundations to find the most appropriate source of finance in these various cases. Working mainly in the agriculture/food, energy and water/sanitation sectors, our case studies reflect our sector strategy and are a reflection of our day-to-day challenges to overcome the pioneer gap.

5.1 Inclusive innovation

A growing body of literature deals with innovation in developing countries. Inclusive innovation is still a relatively new concept. It is difficult to trace it back to its origins, as it has not been introduced by scholars as a new concept or specific type of innovation. The term "inclusive" has been used in other settings: inclusive business, inclusive growth, inclusive finance, etc. Inclusivity means that it also addresses a group that is commonly excluded, referring to the poor, the disabled or otherwise socially excluded.

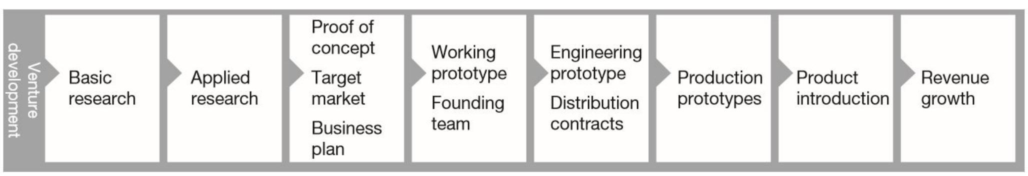
Inclusive innovation is used to refer to pro-poor innovation. Other similar concepts include frugal innovation, BoP innovation and Gandhian innovation.

In this chapter, inclusive innovation refers to the innovation processes that specifically address the needs of the BoP and which involve the BoP not only as consumer, but also as producer, employee and entrepreneur. The outcomes of these processes are high-performance products, services and processes that combine awareness, accessibility, affordability and availability. Together these processes and outcomes have a positive impact on the BoP in a financially sustainable way. This impact is reached by making (better) products and services available to the BoP, and/or by providing them an improved source of income.

In this chapter, we use the following definition of inclusive innovation: “Inclusive Innovation is the market-driven development of something new with impact together with low-income groups” (Van der Klein *et al*. 2012). The vehicle of impact of the inclusive innovation is restricted to the private sector.

In order to develop an inclusive innovation, an entrepreneur follows a number of steps from basic research to developing prototypes to introducing the product in the market and finally scaling the business for growth (see Fig. 5.1).

Figure 5.1 **Entrepreneurial steps from research to growth**



5.2 The need for financing inclusive innovations

While developing inclusive innovation, the private sector needs different types of investment and support. Some companies are seeking funding to support ideation (concept development until proof of principle and concept); others are seeking access to funding to support the realization and implementation of ideas and business plans. In general, the risk mitigation for innovating for the BoP is a key requirement of MNEs, international and local SMEs. Developing new products for new markets is the boldest but also most risky and insecure step a company can make. Initial costs are high and are hard to fund, given the internal requirements for return on investment and the lack of external parties that are willing to finance these activities.

The finance needs for inclusive innovation by individual enterprises vary significantly depending on the sector they operate in, their business model, size and maturity stage, human resource capacity and other factors. While larger enterprises may require finance of US$2 million and above, SMEs tend to have needs in the US$25,000 to US$2 million range, while micro-enterprises require less than US$25,000 (see Box 5.2 for details of the food and nutrition sector in Africa). Besides that, the needs go beyond accessing finance, as many enterprises need support to develop their ideas and create well-managed, financially sustainable operations (Dalberg 2011). A problem faced across the African continent, for instance, is a critical shortage of skilled professionals to manage and grow SMEs (UNECA 2010). A consistent message repeated in reports and interviews is the lack of managerial and financial capacity in SMEs, for which an investment package combining both capital and business development services is needed.

Box 5.2 **Food and nutrition sector in Africa: an investment perspective**

In many developing countries the agricultural sector contributes the most to GDP and is one of the main sources of income. More importantly, relative labour intensity and accessibility to jobs for marginalized populations (also contributing to social impact) tend to be high in this sector. Given the importance of agriculture, the growth of enterprises in this sector will generate not only economic but also social benefits, such as increased food security, and possibly environmental benefits if resources are sustainably managed.

Africa has the potential to increase the value of its annual agricultural output by US$200 billion in ten years (Dalberg 2011). This would increase demand for upstream products such as fertilizers, seeds, pesticides and machinery, while spurring the growth of downstream activities such as biofuel production, grain refining and other types of food processing.

Table 5.1 presents the finance needs different types of business have to improve their performance in the agricultural sector in West Africa. But finance is not the only need of these enterprises. Small to medium-sized operators are often constrained by market failures and inefficiencies.

Table 5.1 **Overview of enterprise finance needs in the agricultural sector**

Source: Dalberg 2011.

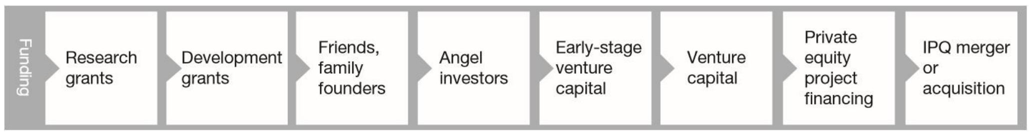
Types of enterprise	What they need finance for	Range of investment typically needed (US$)	Current finance options
Large-scale commercial farming	Start-up, operations, maintenance, infrastructure	LARGE (>2 million)	Private equity/ venture capital (PE/VC), commercial banks
Contract farming	Start-up, working capital	MEDIUM (e.g. 25,000 to 2 million)	PE/VC
Cooperatives	Pre-harvest finance, inputs	MEDIUM (e.g. 25,000 to 2 million)	Rural banks
Smallholder farmers	Pre-harvest finance, inputs	LOW (e.g. <25,000)	Microfinance

These include access to markets (i.e. knowledge and information required to establish linkages with suppliers and customers) and training and mentoring to develop business leadership.

Along the different stages of developing and validating inclusive innovations, companies seek different types of funding (grant, equity, loan). This may be provided by public authorities, relatives or friends, investment firms or related organizations in the investment business such as angel investors and venture capitalists (which invest early in emerging companies) or commercial banks (see Fig. 5.2).

The private sector, while developing products and services for the BoP, is therefore in need of capital. It is true in the agriculture sector as shown in Box 5.2 and remains valid in sectors such as waste/sanitation, health or rural electrification. However, while this need is clearly identified, it appears that it is not correctly served by the current financial sector for reasons explained in the following section.

Figure 5.2 **The range of funding options**



5.3 Challenges in financing inclusive innovation

From a macro point of view, inclusive innovation benefits from the right presence of different capabilities in a country:

- Institutions (political environment, regulatory environment, etc.)
- Human capital and research
- Infrastructure (ICT, energy, general infrastructure, etc.)
- Market sophistication (credit, investment/equity market, microfinance, banks, etc.)
- Business sophistication (science, technology, innovation [STI] clusters, innovation parks, etc.)

While all these capabilities are essential for innovation in general, inclusive innovation targets the BoP and thus requires specific mechanisms to be put in place. For example, business sophistication will also include multi-stakeholder platforms where NGOs, businesses and STI converge. Building the ecosystem of innovation capabilities that will nurture inclusive innovation is an ongoing process in many countries. However, a number of constraints remain in creating a welcoming investment environment.

5.3.1 Investment constraints

There are four important long-standing constraints to investing in private-sector activities for BoP markets (see Dalberg 2011; Marr and Chiwarra 2011; UNEP 2007): (1) risks level, (2) institutional development, (3) policy and regulatory frameworks, and (4) skills and training needs.

1. **Risks barriers.** Enterprises that form the "missing middle" in the demandside financing landscape in developing countries are generally perceived by banks and financial institutions as risky and therefore unprofitable. Furthermore, differing incentives, expectations and motivations between investors and fund managers with regard to investing in entrepreneurs for the BoP market result in misalignment of the financial strategy of fund managers, also becoming a reason for an incorrect perception about the sector's profitability.
2. **Institutional barriers.** Countries may appear as donor darlings and hence do not provide a suitable investment environment for private capital. Furthermore, the costs of identifying and developing promising investment opportunities are prohibitive for most investors. Another point of attention is the prominence of the informal sector when considering investing in BoP ventures, making the valuation of companies challenging.
3. **Policy and regulatory barriers.** From the lack of a regulatory framework conducive to financing BoP ventures to public policy distorting it (e.g. limitation in interest rates in a given sector), the policy and regulatory environments are often not adequately designed to support early stage investment in BoP businesses.
4. **Skills, knowledge, information and training barriers.** Inclusive innovation is a nascent sector and often fund managers or financial institutions lack the in-depth knowledge of the sector to realize suitable investments.

These constraints result in an investment climax that provides inadequate funding opportunities for companies developing products and services for the BoP, especially those related to duration and size of the investment.

5.3.2 Inadequate types and duration of traditional funding

Traditional funding by banks by means of loans is often not possible in the BoP market, due to absence of collateral (especially in agriculture) and a traditional tight schedule of repayments. In traditional venture capital equity, the expected exit of shares will be on average five years (between three and seven). Since exit possibilities (on the BoP market or to the co-investors/entrepreneur) are weaker, the exit period has to be stretched. The build-up of a market position often depends on how the surrounding market is developing. This takes up to ten or more years. Altogether there is a need for longer-term (patient) equity capital for BoP development. We estimate durations of at least five up until ten years as reasonable terms.

5.3.3 Inadequate granularity of funding available

Besides the duration of financing itself, the amount of money requested in this early stage is smaller than average as described in the previous section. Financial institutions or informal investors and impact investors tend to move to amounts higher than US$1 million and do not serve this particular area, due to an expected low return on investment.

5.3.4 The pioneer gap as a barrier to high-volume investing

It is becoming clear that there still is a financing "missing middle" between microfinance and the regular financial instruments available to established and stable SMEs in developing countries. Potentially ground-breaking initiatives— from local entrepreneurs as well as innovative MNEs and SMEs in industrialized economies—remain without financing, because investors see too many risks and entrepreneurs are insufficiently able to present themselves as "investmentready". In order to convince investors, entrepreneurs need to bridge the "pioneer gap" (Koh *et al.* 2012) and work on their business plan, entrepreneurial skills and attitude. The pioneer gap is known in investment terms as the "valley of death" (see Box 5.3).

While this pioneer gap is clearly identified, it remains to be seen which mechanisms have been developed to provide adequate finance for entrepreneurs entering it.

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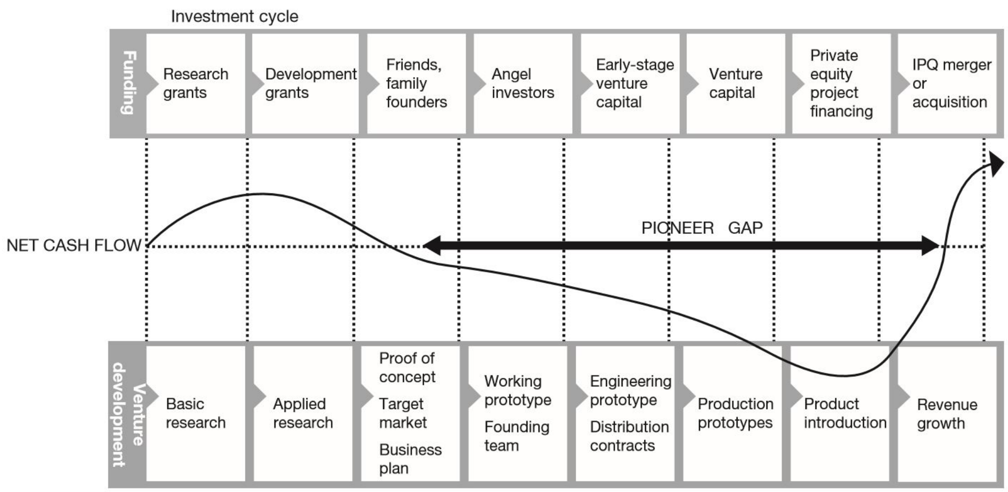
Box 5.3 **The pioneer gap**

The **pioneer gap** or **valley of death** is the gap (in time and money) between the formation of the firm and the generation of a positive cash flow (see Fig. 5.3). This period is called the pre-seed/seed (financing) phase of innovation, where the firm requires an inflow of funds to offset the negative cash flow resulting from the transition from applied scientific research to proof of principle, from working prototype to engineering prototype, and then from production prototype to preparation for large-scale market introduction. In later stages (after positive cash flow is achieved) investment needs are better served by existing financial institutions and informal and formal investors. The amount of money requested in the early stages is smaller than in the later stages. Financial institutions or more traditional investors tend to invest amounts higher than US$1 million for efficiency reasons and do not serve the pre-seed and seed stages.

Figure 5.3 **Position in the investment cycle**



5.4 Instruments to finance inclusive innovation

As described previously, entrepreneurs developing products and services for the BoP face an ultimate challenge when entering the pioneer gap (in time and money) between the formation of the firm and the generation of a positive cash flow. Financial mechanisms developed to fill this gap require the following characteristics:

- Long-term finance (equity durations of five to ten years)
- Accepting high risk because of the lack of collateral, unstable cash flow and challenging ecosystem environment
- Covering smaller amounts of invested fund (in the order of magnitude of US$100,000)
- Besides money, a need for technical assistance and business development

5.4.1 The new wave of impact investing

There is a current rise in impact investments (Impact Assets 2011; Practitioner Hub 2012) investing for social impact and financial return. "In a world where government resources and charitable donations are insufficient to address the world's social problems, impact investing offers a new alternative for channeling large-scale private capital for social benefit" (J.P. Morgan 2010). This new type of investment aims for desired societal impact while achieving an acceptable financial return. In comparison to other alternative asset classes, the impact investment model is still immature and financial return claims have not yet been proven. Investments are made gradually and investee companies take time to realize value.

Relevant existing impact investors support local entrepreneurs in formalizing their business and realizing some scale (mezzanine financing). These entrepreneurs must have shown some market success and should be looking for additional resources to scale (e.g. Acumen, see Mohiuddin and Imtiazuddin 2007). Or fund solid business plans with social impact and acceptable financial return (e.g. FMO, the Netherlands Development Finance Company).

Furthermore, to support early-stage BoP ventures, there is an incipient but fastgrowing interest among aid agencies and entrepreneurial philanthropists in supporting promising initiatives to get off the ground, based on their proven capabilities in the areas of building business skills, creating consumer awareness and improving the enabling environment. The attention should then focus on ways to harness that support towards the closing of the pioneer gap, through partnerships with private partners and participation in inclusive innovation business development efforts.

Specific financial mechanisms are then developed to fill this pioneer gap that even impact investors are not considering fully at the moment.

5.4.2 From public authorities or donors

There is a global trend from public authorities and donors to invest in a more commercially oriented way (to move from giving to supporting). These organizations also engage with specific programmes in the private sector into developmentoriented projects to fill the gap between development and business. The Dutch minister in charge of development cooperation is, for instance, now called the minister for development cooperation "and trade", reinforcing the win–win situation between development and business. However, few of these bodies venture in the innovation space. Some examples are:

- Development Innovation Ventures from USAID (United States Agency for International Development) supports new applications of technology and new service delivery practices that lead to transformative improvements to development outcomes. DIV spans a large part of the pioneer gap via three stages of investment. Stage 1 is for projects in the proof of concept phase: DIV will grant these projects up to $100,000 dollars over one year so that grantees can refine prototypes and gather the evidence they need to pull in more investment and grow. Stage 2 is for larger projects, typically to expand across a country. DIV will grant Stage 2 projects up to $1 million. In exchange, Stage 2 projects will build in rigorous testing to prove whether the project is viable at its larger size. Stage 3 is for much larger projects. For grants of up to $15 million over several years, solutions that have already proven to work at a large scale will be expanded much further, and often into multiple countries.

- Innovation Against Poverty (IAP) from the Swedish International Development Cooperation Agency (SIDA) supports with small and large matching grants, and guarantees new product/service/market system development that would otherwise not have taken place due to perceived risk or uncertainty. Companies can apply for financial support from two different modules aimed at different stages of the innovation and development path. Small Grants provide a matching grant (maximum 50% of total project cost) up to €20,000 (US$25,000) for the purpose of exploring an innovation or a new market. The grant can be used for travel and pre-feasibility studies, stakeholder needs assessments, or for networking with local organizations. Large Grants provide a matching grant (maximum 50%) of between €20,000 (US$25,000) and €200,000 (US$250,000) to a company for the purpose of undertaking a project aimed at a new product, service, system, business model or a concept ready to be put to market test, or adaptation of existing products to be affordable and accessible to the poor. IAP also provides guarantees and advisory support for venture development.

Other initiatives are in gestation. For instance, the India Inclusive Innovation Fund (IIIF) will provide funding to BoP-focused companies across the venture development cycle both in early and in growth stages. This venture fund finances innovative projects that offer creative, financially sustainable solutions to developmental challenges in agriculture, education, energy, environment, food, nutrition, financial inclusion, healthcare, etc. IIIF projects combine scalable social impact with commercial returns. The fund started operating in 2014.

5.4.3 Corporate impact finance

Over the past decade the approach of multinational companies has evolved when developing products and service at the BoP. Initially, multinationals followed a onedirectional approach selling products and services to the poor. The value for companies was clear, but the extent to which it served the poor remained questionable. Often, strategies failed to succeed because products were not developed together with the BoP. The next-generation BoP approach came into place. People at the BoP are now embraced in the innovation process as valuable

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business partners in a shift from business strategies targeted at the BoP to inclusive innovation together with the BoP. Today people at the BoP are included in projects as entrepreneurs, producers and consumers. They co-create inclusive innovations partnering with companies, civil society and public authorities. The current developing view—“BoP 3.0” strategies—combines different stakeholder perspectives working collaboratively towards integrated system solutions. The strength of the company taking the lead is reinforced by smaller, more flexible, innovative local and international companies. These are strong partnerships that have collective impact on the BoP.

These trends have a direct influence on the types of mechanism multinational companies develop to address the BoP market. They still develop their own innovation with the BoP but they often provide technical and business support to BoP entrepreneurs (local or international) they invest in financially. In companies such as Danone (Danone Communities programme), GDF SUEZ (Rassembleur d’Energies initiative) or Schneider Electric (BipBop programme), these three-legged programmes (innovation, support, investment) enable companies to create a systemic change in the BoP ecosystem they work in and ultimately accelerate their own development in the BoP market (see Box 5.4 for a description of Schneider Electric’s BipBop programme and the Schneider Electric Energy Access fund).

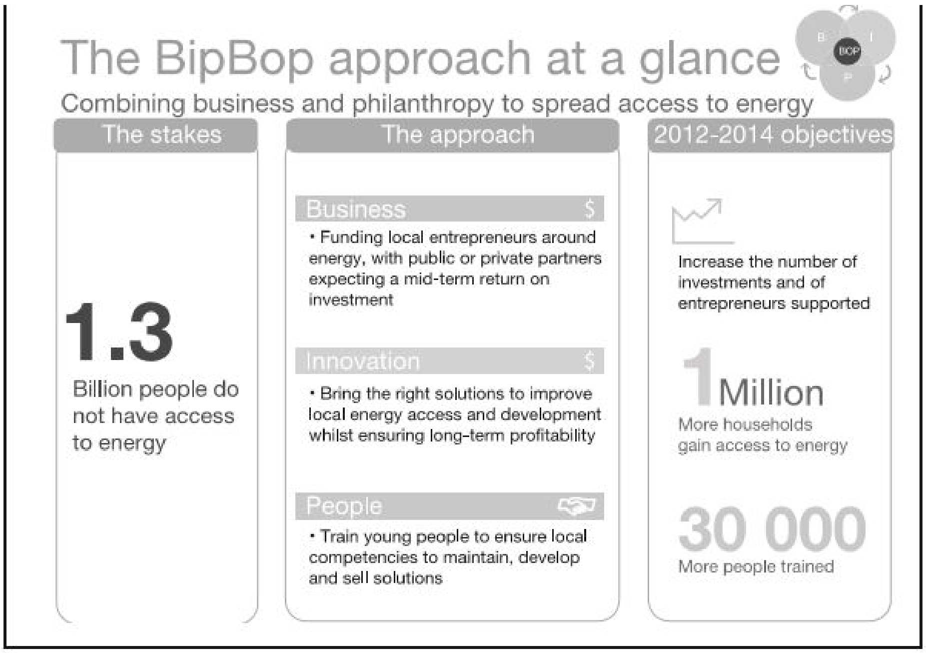
Box 5.3 **Schneider Electric BipBop**

In early 2009, the BipBop programme was launched to contribute to access to clean energy for low-income populations through the development of a combined approach of philanthropy and business. The programme has three pillars (Vermot Desroches and André 2012):

1. **The business pillar** provides financial, technical and managerial support to SMEs and entrepreneurs in the field of access to energy through an impact investment fund
2. **The innovation pillar** develops a cost-effective portfolio of products and solutions providing access to energy for low-income populations

3. **The people pillar** creates training in energy management trades for disadvantaged youths

Figure 5.4 **The BipBop approach**



The Schneider Electric Energy Access (SEEA) fund (the business pillar) works as a global sustainable venture capital fund. The fund provides support for the creation and development of enterprises and profitable entities that help the poorest to gain access to clean energy. The fund also sustains the development of entrepreneurship in electricity trades and renewable energies. Alongside its social mission, SEEA has a targeted return on investment of 5–10%. For example, SEEA invested €250,000 (US$300,000) in NICE International. NICE International builds a network of franchises providing access to energy services, and ICT (information and communications technology) in Gambia. Investments concluded by SEEA range from €100,000 to €400,000 for periods of 5 to 7 years. The fund never takes a majority shareholding in order to remain as a support for impact growth while the entrepreneur keeps hands on its activities. Employees of Schneider via a mutual find also invest into the SEEA fund.

The Inclusive Business Fund has been designed especially to bridge part of the pioneer gap described in previous sections (see Box 5.5).

Box 5.5 **Inclusive Business Fund**

Rabobank Foundation, ICCO Investments and the BoP Innovation Center have initiated a new fund called the Inclusive Business Fund. The fund aims to create access to finance in developing countries and to enhance economic development. The partnership provides the required business development support that brings investment-ready entrepreneurs and committed investors together, and thus helps launch substantial numbers of inclusive business ventures with the potential for large-scale impact.

The Inclusive Business Fund builds on the unique abilities of Rabo Foundation, ICCO and BoP Innovation Center to provide capital, expertise, TA and an extensive branch network. The strategy is to invest risk capital in sustainable and social SMEs and cooperatives with growth potential, thus generating a positive IRR (internal rate of return) to investors, over an average period of five years. The sectors addressed are: Food and Agribusiness, Health, Energy, Water and Sanitation, and Education. The fund's geographical focus is Africa, Asia and South America. In general, the fund's investments are made through medium-term debt and mezzanine instruments. The average deal size is between €100,000 and €1 million

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5.4.4 Dedicated early-stage BoP investment firms

While public authorities and multinationals provide some financial instruments to support early-stage BoP ventures as described in previous sections, dedicated financial organizations are starting to invest in early-stage BoP ventures. Organizations such as Unitus Seed Fund or Accion Venture provide patient seed capital and support to inclusive innovation start-ups. Another example is the Inclusive Business Fund that includes Rabobank, ICCO and the BoP Innovation Center (see Box 5.5) as shareholders. These firms/funds invest between $100,000 and $500,000 in equity or quasi-equity instruments and provide business support (to refine a given business model or operational strategies, to broker entrepreneurs to technology experts). A number of them are for-profit investment firms.

These organizations often use innovation financial schemes to deliver their services. Crowdfunding is one of these mechanisms, where equity is proposed in small shares online to a large open public. Enviu, a sustainable business developer, raised €100,000 ($120,000) using equity-based crowd funding platform Symbid. Enviu was able to attract 372 investors from all over the world who invested from as little as €20 ($25). Investors become actual owners of the company, receive a return on investment in the form of dividends and have the ability to sell their shares. Enviu will use the funds raised to invest directly in new start-ups developed.

Ultimately the financial mechanisms provided by these intermediary organizations will play a crucial role in shaping the inclusive innovation investment ecosystem.

5.5 Conclusion

There is a vibrant and resilient private sector that would like to contribute to the well-being of people at the base of the pyramid by creating job opportunities, and by offering access to quality elementary products and services at affordable prices. Practical experience reveals a demand for financial support from these companies in early stages of innovation trajectories, and currently traditional financial organizations are not providing the necessary instruments to support market-based inclusive innovations. In addition, even innovative financing (e.g.

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impact investing) is so far not completely addressing the demand to support the fuzzy front end of inclusive innovation that requires patient capital in small amounts. Furthermore, existing impact investing funds show that the success of funding schemes aiming at financial and social impact at the BoP depends on a combination of business development services, funding and technical assistance services within the fund. This has created a pioneer gap in time and money between the formation of a firm and the generation of a positive cash flow.

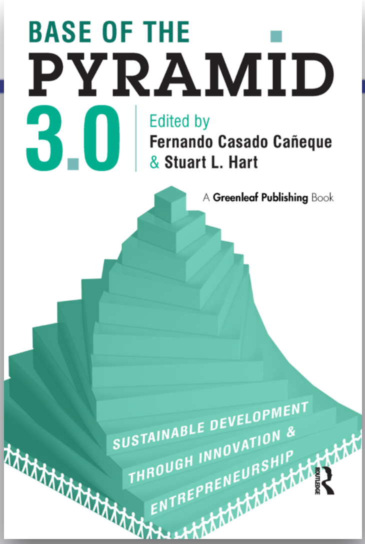
Responses to provide adequate solutions to mitigate this pioneer gap are starting to appear and have come from different angles providing innovative financial mechanisms to firm venturing at the BoP, from public authorities wishing to invest public capital more efficiently to multinational companies creating a social investment arm alongside their own innovation programmes. A new investment ecosystem is coming to life. Intermediary organizations have a key role to play in building this ecosystem by providing a link to social investing and providing firms at the BoP with adequate business support to develop innovative BoP products and services.

The challenge of the pioneer gap is clearly identified, and the nascent movement of hybrid investment mechanisms providing finance and adequate business support holds the promise of being an accelerator for BoP firms making a larger impact at the BoP. Over the next decade, these investments and efforts will allow the BoP community to resolve part of the financial and business challenges that entrepreneurs face when entering BoP markets for the benefit of society at large.

CHAPTER

6

BUILDING INCLUSIVE MARKETS FROM THE INSIDE OUT



This chapter is excerpted from

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edited by Fernando Casado Cañeque and Stuart Hart.

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This chapter will highlight, list and describe some of the key theories and concepts which have been found to be critical in the development of successful inclusive market strategies in Sub-Saharan Africa. Important concepts are examined, including disruptive and frugal innovation, patient capital and long-term goal setting, re-organizing the organization, rethinking metrics and reporting, moving from transactional to transformational models, changing from closed to open business models, developing a partnership approach to business and reimagining products. South African companies such as MTN, Standard Bank, Capitec and Blue Label Telecoms, and other MNCs operating in Sub-Saharan Africa such as Unilever and GSK, which have embarked on this journey to the bottom of the pyramid are helping to "write the book", as well as bringing development and employment to parts of the continent that desperately need it. This chapter refers to a number of these developments.

> When I opened my account the branch manager came and shook my hand. It sounds trite and retro, but he also shook the hands of some old tatas [grandfathers] who were opening accounts. I liked that a lot.

This consumer quote was drawn from a local South African newspaper, *Business Day*, reporting on the results of the 2014 Bank of the Year survey, won by Capitec Bank (Lefifi 2014). Beating market incumbents, this bank opened its doors in 2001 with a unique low-cost focus and commitment to deliver value to the low-income consumer.

The South African low-income consumer was by and large ignored by the financial services sector, which deemed this market "not worth the effort" given the small pocket size and its relative inaccessibility. The advent of democracy in apartheid-ravaged South Africa began to shift this thinking as black consumers began entering the formal economy en masse. The Financial Sector Charter, which came into effect in 2004, marked a shift in banking strategy. It was an undertaking by the financial services sector to promote social and economic integration and access to financial services for the unbanked and under-banked. However, first-generation strategies by banks to promote financial inclusion and service this low-income segment were abysmal attempts. Banks opened millions of "Mzansi" accounts, designed with little thought given to user needs and preferences and essentially a miniaturization of the conventional account carrying the same overheads and cost. Serious design flaws, inadequate attention to usage behaviour and pricing resulted in accounts lying dormant at high cost to the bank.

Then things shifted. New market entrant Capitec Bank had a targeted strategy to capture low-income consumers. Retail principles, slick IT systems, biometric identification and a focus on low cost and building trust and strong client relationships saw this bank capturing swathes of market share in this poorly served segment. It appears to have paid off; the 2014 Bank of the Year survey conducted by Intellidex, a specialist financial services research house, showed Capitec beating the "big four" incumbent competitors for the hearts of consumers.

Today Capitec has 12.7% of the market, an increase from its 9.2% market share of 2012, and its ambitious claim is to aim for 25% of the market by 2020. This growth trajectory, which shows little sign of slowing, has caused great disruption in the financial services industry. Banks woke up to the fact that many of these lowervalue consumers were on an upward economic path with promising lifetime customer value. Not only was Capitec growing market share but it was also building lifetime consumer loyalty. This disruption in the banking space came from within the sector albeit by adopting principles from retail.

The past years have seen competitors from other sectors making inroads into the delivery of financial services with a proliferation of successful mobile banking products launched by network operators across the continent. Retail checkpoints in supermarkets and "mom and pop" stores called spazas have taken on bank-teller functions, with banks clamouring for partners in the retail sector to get their products closer to consumers in this market segment.

The competitive landscape has been fundamentally altered as the firm forays into new market segments and geographies and operates across sectors. It is no longer sufficient to perfect a single game plan; continual innovation and disruption of the status quo are demanded, especially within low-income segments where the bundling of goods and services are often an efficient way to deliver cost-effective and user-friendly solutions to customers who cannot afford a myriad of products.

Kenyan insurance company UAP entered into the low-income arena with a crop insurance product called Kilimo Salama. Rather than try to convince subsistence farmers to spend on insurance, this company included the cost of the insurance in the price of a bag of seed and fertilizer, which farmers had to purchase anyway in the sowing season. Working with Syngenta and Bayer, UAP was able to subsidize the cost of the insurance to foster trial and adoption at low financial risk to the farmer. The certified, drought-resistant and high-yield seed was sold through an existing network of agro-vets trusted by local farmers and dotting the rural Kenyan countryside. By using an existing network of agents present in the rural ecosystem, the firm reduced distribution and marketing costs. Weather towers gathered and transmitted data on microclimates through to Nairobi. If poor harvest conditions were recorded in any regions covered, technology was used to make payouts via mobile money transfers straight into the pocket, or rather mobile, money account of the farmer.

This industry disruption has come with birthing pains. Bankers have had to dramatically shift company thinking in order to play in this space. When patient capital and long-term goals are required, access, cost and margins are different, and the old way of doing things is simply not sufficient to compete. A banker from a leading South African bank attempting new products in the market described his team's dilemma:

> Your [low-income] customers will be open to doing things differently because they not as vested in traditional way of doing things, and it's there where the chance for radical innovation actually opens up. Once you use that as the starting point you no longer do incremental innovation or process innovation; you are no longer just trying to take what you do and pushing it down the pyramid.
>
> It is about what the customer needs and wants and what the customer is willing to pay for it . . . and what that allows you to do is to make some radical shifts in the way you do business. But if you start any other place all you do is incremental stuff and that's always a mess . . . We need to say: OK how do we do things completely differently? (pers. comm.).

Carl Fischer, an executive at Capitec, described his bank's approach in the media as: "Simplicity plus transparency gives the client control" (Lefifi 2014). Not so long ago simplicity and transparency were unicorns in financial services; however, abiding by these tenets is what it took to drive financial inclusion and give one bank the edge over the established competition.

Learning how to serve lower-income segments successfully demands that industry embrace disruption of its metrics, systems and processes and create the organizational architecture to enable radical innovation.

2.1 Where to start?

The banker quoted above described customer needs and wants as being important to understand. For many firms, reliable data and consumer insights are scant. Business models are often built on assumptions, stereotypes and generic quantitative databases. The art of ethnography, immersion and face-to-face conversations are important starting points for firms interested in these markets. These techniques, which offer crucial insights into the consumer's life, have been neglected. Language barriers, cost, time, accessibility and infrastructure are some of the reasons behind the dearth of consumer research at the bottom of the pyramid (BoP).

Given the limited wallet size and unique challenges faced at the BoP, consumers do not have the luxury of making purchasing errors. This means that products and services that add value will be purchased, while those that waste scarce resources will be selected out of the marketplace. Word of mouth trumps elaborate marketing campaigns as the most powerful marketing tool, with consumers trusting opinions drawn from their ranks and sharing these brand experiences through peer networks in the remotest villages and alleyways of urban slums. Mass adoption of social media through mobile phones has added huge impetus to the sharing of brand experience and can both punish poor efforts and reward good brand interaction.

This makes building customer journey maps and insights into the daily pains and problems of the low-income consumer an important early marker on the innovation pathway. As with all segments, innovation must begin with solving problems for consumers; without detailed market information (both quantitative and qualitative) those insights are impossible to arrive at.

Capitec Bank identified several problems to be solved for clients on lower incomes. Affordability of financial services was a key issue. The bank realized it needed to drop overheads in order to deliver more affordable services but still make a profit; hence the efficient IT systems and biometrics that allowed for leaner and smaller branches manned by fewer staff.

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The next problem to be solved involved accessibility. Customers were travelling to bank branches in urban centres paying 20 rand for transport to make a 100 rand deposit. By opening large numbers of smaller branches, Capitec was able to bring banks closer to people. They stayed open for longer hours and used supermarket tellers as alternative points for transactions. Another issue experienced was that of poor financial literacy, bureaucracy and the intimidating design of bank branches. Capitec did away with thick glass panes separating customers from tellers, allowing more human and less intimidating interaction. Additionally, relationship managers greeted customers as they came into the bank. Automatic ticket numbers were dispensed to democratize waiting times and all paperwork was written in simple language in large font size and had to fit onto a single page.

Capitec's innovators identified five kinds of cost that customers incur when they bank: direct; social and cultural; opportunity; psychological; and cost of compliance. To capture the BoP market, innovation along multiple fronts was necessary. Key among these was maximizing value to the customer and minimizing nonessential costs.

As an enterprise grows into lower-income markets, it needs to make important changes in practices and processes. These changes have an internal impact on the enterprise, potentially disrupting the resources, processes and culture of a company—and sometimes an entire industry. Learnings are absorbed across the company and again sometimes even across an industry. Middle-income customers began defecting to Capitec as they also valued the efficiency, customer centricity and lower cost of Capitec's services.

It is important to note that senior leadership buy-in is critical. The bank's executives championed innovation from the top, incorporated non-traditional elements, provided only a core of essential functions that related directly to customer needs, moved to more environmentally friendly operations, and designed their operations from the starting point of the work customers needed a bank to do for them, rather than trying to trim the elaborate structures of traditional banking.

This chapter will highlight and describe some of the key theories and concepts that have been found to be critical in the development of successful inclusive market strategies in sub-Saharan Africa such as those shown in the Capitec example.

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2.2 Disruptive and frugal innovation

Important concepts to examine are those of disruptive and frugal innovation, as pioneers of inclusive market thinking and the developers of lower-cost, high-value models tend to be disruptors and learn how to innovate with less. It is interesting to note that although Capitec's retail-style banking service started by servicing BoP markets, it soon began to attract customers further up the pyramid.

According to Clayton Christensen, who developed the theory of disruptive innovation in 1997, this occurs more easily in newer firms, which are not encumbered by established routines and values. When we examine the dimensions of disruptive innovation—that is, being lower cost, lower margin and simpler, under-performing the traditional offering, needing different product architecture, attracting a new customer segment and, importantly, eventually cannibalizing the existing core products and services—we can understand why they pose a threat to the status quo and vested interests in the firm.

Frugal innovation came about in developing markets where firms were experimenting with ways in which they could design high-quality products and services to match the price points of lower-income segments. Frugal innovation demands that developers start with a "clean slate" and design from scratch to ensure that only those elements valued by the lower-income consumer are included with all the fat trimmed from the offering.

We note some famous examples of frugal innovation across sectors: in the automotive industry, the Tata Nano car or Carlos Ghosn's Dacia range; in fast-moving consumer goods (FMCG), Procter & Gamble's Tide Naturals and single blade razor or Unilever's Lifebuoy soap, and Hindustan Lever's Shakti model; in financial services, mobile money products such as Vodafone M-Pesa (of which more below), Capitec Bank and UAP's Kilimo Salama crop insurance for smallholder farmers; and in healthcare, GE's electrocardiogram machine for rural India and Dr Shetty's Narayana Health, which has innovated successful cardiac surgery for less than US$800.

Frugal innovation demands that innovators go back into the supply chain and manufacturing process to ensure that the templates and costs of production are also lower. It is impossible to achieve high quality at low cost with superficial or incremental tweaks to products and services. If firms wish to service the consumer with a small wallet, they need to abandon a deep-pocket mind-set of throwing resources at a problem. To innovate for the poor the firm must think like the poor.

2.3 Costs and benefits: patient capital and the long endgame

Firms must be prepared to invest resources and put in before they get anything out, and this can take years.

- The disruptive and frugal innovation described above exacts a cost on the organization that is often felt early in the process, while the benefits become evident at much later points in the development of the business model. Managing this trade-off is an important skill and process to manage if the inclusive model is to survive
- Building local networks, transferring skills, investing in communities and embedding the firm into the local ecosystem are necessary to gain acceptance and to market, educate and learn about the local consumer. The firm needs to lose its "foreignness" in order to be accepted
- New market offerings may depend on resources and technologies that are, themselves, innovative and still in development
- Champions of new markets and products often have to struggle to convince others of the benefits, and lengthy trials can be costly and frustrating

Well-documented examples of intrapreneurs who persisted with inclusive business models despite strong organizational push back include that of intrapreneur Nick Hughes, previous Head of International Mobile Payment Solutions at Vodafone Group, who worked tirelessly toward the acceptance of the M-Pesa mobile money model in Kenya, a mobile payment service that was the start of a mobile banking revolution in Africa. This disrupted conventional financial service models and carried Vodafone's Safaricom from telecommunications into financial services, an uncomfortable shift. Another pioneer who warrants mention is Israel Moreno, who took multinational, B2B (business to business) cement giant Cemex into urban slums to become home builders rather than purely cement salespeople, disrupting the convention around bulk cement sales and home building (see Cemex case by Ted London [2012]).

To survive, these mass-market or low-income teams require leadership support, resources, autonomy and a relevant set of metrics. One of the strategies that forward-thinking firms employ is the creation of "skunkworks", incubators and independent teams to develop these disruptive ideas beyond the reach of "institutional antibodies" that resist these seedling ideas.

To achieve this, companies such as Philips and Ericsson set up innovation labs in countries such as Kenya, employing local developers and engineers. Banks such as Standard Bank create "skunkworks" operations to incubate early ideas around what they described as "community banking", which today has been reincorporated into the main bank as the Inclusive Banking division. Others partner with companies that already have deep experience in their market segment, such as Hollard Insurance with retail player Pep Stores.

It is clear that firms attempting to access the new arena of the low-income market must consider new products to add value to consumers who have distinct tastes, preferences, aspirations and wallet sizes. However successful, inclusive business requires new ways of thinking, a mind-set shift towards a model defined by low margin, scale and volume, high risk, patient capital and long-term goals. Internal firm shifts in structure and mind-set in addition to an ecosystem-based approach and embeddedness in communities is demanded to drive acceptability, availability and brand loyalty. None of this will be possible without a fundamental reorganization of the company, a disruption of the status quo that functions in the old market with old products.

2.4 Reorganizing the organization

In *New Markets, New Mindsets* Ismail and Kleyn (2012) offer useful guidelines drawn from multiple case studies on the internal processes, structures and systems that assist in meeting the goals of inclusive business strategies.

They write that flexibility of roles, good interdepartmental communication, and fast response times are important. Additionally there must be an emphasis on multi-skilling, which means there must be training not only for staff, but also for local partners. No room exists for the siloed organization or the "not invented here" syndrome.

Frugal engineering author Vikram Sehgal and his colleagues observed,

> Typically the more mature an organization, the more rigid the functional silos. There tends to be little coordination between functions without an explicit effort from top management, which must either create a new structure for the team or use brute force to encourage communication (Sehgal *et al*. 2010).

Ismail and Kleyn (2012: 194) summarize Christensen and Overdorf's (2000) suggestions for improving a firm's ability to innovate and move away from the lethargic and hierarchical organization that struggles to react to market demands with alacrity:

- In the existing organization, create new capabilities internally by pulling the relevant people out and drawing a new boundary around a new group.
- Create a spinout organization (which doesn't need a different physical location). The primary requirement is that the project not be forced to compete with projects in the main organization.
- Acquire a new company with the strengths you need. But don't "vaporize" the capabilities of the new company into the acquiring organization's culture. A better strategy is to let the business stand alone and to infuse the parent's resources into the acquired company's processes and values (Ismail and Kleyn 2012: 194).

2.5 Rethinking metrics and reporting

Another critical shift for the firm interested in successfully pursuing inclusive strategies concerns metrics and reporting. The old business school adage, "You get what you measure", holds true for low-income segment reporting. If scale, low margin and long-term payoffs are expected and necessary, it is disingenuous to hold inclusive business teams to the same standards and metrics applied to higher margin and more established divisions within the firm. Firms such as Nestlé and Unilever have incorporated inclusive goals into their key performance indicators in order to incentivize and drive more inclusive and sustainable decision-making in their managerial ranks.

What makes low-income opportunities particularly unpalatable within a firm are the high research, set-up and distribution costs as firms try to operate in markets with structural holes, infrastructural liabilities and institutional instability. These daunting external factors, when coupled with the lower margins of BoP products, often dissuade managers from experimenting with suitable models for fear of failure and punishment from shareholders in the short term.

Relevant metrics are therefore critical to prevent disillusionment and to support the activities of managers experimenting with new inclusive business models.

Ismail and Kleyn (2012: 200) explain that

> because building business with low-income communities is a developmental process that unfolds over time, financial planning should follow the same pattern. There needs to be consideration of the likely margins at different volume intervals, not only to assist with scaling decisions . . . but also as part of making the case for embarking on and sustaining lowincome market offerings.

Metrics are not only internal and profit/loss related. It is also important to consider external metrics to judge the impact of the business model on the environment, community, local partners and local economy. These metrics can be used to motivate employees and to bolster institutional and sometimes funding support.

A good set of metrics can act as a roadmap for growth and allows for objective decision-making going forward. Judging the project through a fair lens can also help build the business case and convert sceptics within the firm.

2.6 The philosophy of business: moving from transactional to transformational models

Many scholars have documented the institutional and infrastructural dysfunctions that low-income communities face in developing markets. Poverty, inequality, lack of basic healthcare and clean water, and poor educational systems continue to plague many communities. Firms with long-term growth plans cannot ignore the economic and social realities of the markets they operate in, as this has implications for the progress and transaction costs faced by the firm. The idea of conventional business where firms see themselves merely as traders, transaction-oriented, rather than an important contributor to the ecosystem is short-termist. By embracing strategies that develop the local market the firm ensures a more stable and prosperous future for itself.

The GlaxoSmithKline (GSK) team based in Johannesburg, under the leadership of Vice President Dave Thomas, is embracing a more transformational style of business by thinking about the long-term development of its brands in township markets. One of GSK's mainstay brands in the FMCG space is a headache powder called GrandPa. This brand was used to name a business training school, the GrandPa Spaza Academy. Partnering with a top-ranked South African business school, Gordon Institute of Business Science (GIBS), GSK understood the value of open innovation and building non-traditional partnerships. GIBS, with its experience and knowledge of low-income market dynamics, was able to design a practical and relevant training programme for the township micro-entrepreneurs enrolled in the course.

GSK's low-income brands are sold through small spaza stores. Many of the owners of these micro-enterprises have not finished school, lack basic business training and struggle to grow their businesses. They are, however, an important part of the township economy, offering employment and supporting an extended network of dependents. They are also a widely distributed customer-facing retail point, giving the brands an enviable footprint into the "last mile" to the end-consumer.

By allowing these micro-entrepreneurs access and enrolment into a business basics programme several longer-term goals may be achieved. First, these businesses are more likely to maintain consistent inventory of the GSK product and will market, price and sell stock better. Second, by growing and scaling their micro-enterprises, the township economy becomes more prosperous and stable, increasing market potential. Third, and very importantly, by making this investment in local capacity building, GSK embeds itself as a brand that belongs in this space, overcoming the liability of foreignness. By building this network of loyal agents across communities the firm also has an avenue to draw valuable market learning and consumer intelligence, creating a feedback loop through which it can deliver even greater value innovations to market.

The immediate payoffs for a project such as this are not big, despite the substantial upfront investment and resource pull required. Certainly there is a degree of marketing benefit accrued, as GSK receives favourable press for investing in lowincome communities. The real benefits, however, cannot be measured as a line item in quarterly reports but will be felt in the long term. This type of business strategy can only be made to work if there is senior leadership buy-in and commitment to the long-term play and the willingness to deeply engage with and shift local economies through a transformational mind-set around the role of business in society.

2.7 Moving from closed to open business models

It has gradually become clear that, given the fast-changing consumer landscape and external environment and the explosion of communication devices and social media, firms will struggle to innovate using solely current internal resources and people. The closed, internally focused firm may find itself struggling to compete. Solutions are to be found in the network of consumers, competitors, suppliers and institutions that surrounds the firm. Knowledgeable and connected local staff and partners at every level are vital. Many authors (Busch 2014; Ernst *et al*. 2014; Schuster and Holtbrugge 2014) have suggested that engaging in networks external to the firm, embedding in local economies, co-creation and embracing non-traditional partnerships are critical to the success of the firm in low-income market spaces and to the development of what Ernst *et al*. (2014) refer to as "affordable value innovations".

Firms manage this challenge in various ways. Dutch multinational Philips has set up innovation labs in Africa to develop and nurture not just more local ideas but also local talent. Pharmaceutical firms such as Roche and Merck send global executives on immersion experiences in low-income communities where executives engage in close-up conversations with households and businesses in slums and townships. Increasingly, we note that global executive leadership conferences are held in emerging markets, including local faculty and emerging and developing market case studies into these programmes.

BUILDING INCLUSIVE MARKETS FROM THE INSIDE OUT

Excerpted from *Base of the Pyramid 3.0*

Mechell Chetty, Vice President of Human Resources at Unilever, explains that Unilever has an entrenched global Future Leaders programme with globally applied standards. However, in African markets Unilever has gone beyond convention to develop a grass-roots strategy for talent development by engaging government and universities. In Ethiopia, Unilever has offered to work with universities on developing work-relevant curricula especially within the marketing space, which is an area of particular expertise for the firm. University graduates, who are often not sufficiently prepared for the work market, are taken on accelerated learning programmes, secondments and rotations to other markets to increase their exposure and experience. According to Chetty, talent will only be developed to quality and scale through a mind-set of co-creation and partnerships with local institutions and bodies.

Standard Bank, one of the "big four" South African banks, recruits locals from the community as first-tier agents in its Access banking model. These agents set up shop on street corners in townships, informing passers-by of banking options, and are able to open accounts in the street using hand-held devices. The bank then uses local spazas to act as mini bank branches where deposits, withdrawals and other digital goods such as airtime and electricity may be purchased. This Access banking model incorporates locals as an integral part of the banking ecosystem.

For South African multinational corporation (MNC) Blue Label Telecoms, developing partnerships has been a key priority in growing the footprint and distribution of the digital packages such as airtime and electricity. Partnerships with gospel singers, tribal chieftains and soccer clubs have been an integral part of their growth story. By nurturing partnerships with local icons, leaders and influencers, Blue Label was able to share in the social capital and trust relationships held by these agents. Sharing in social capital is only possible with reciprocation; the company reinvests a percentage of the revenue generated from these digital sales back into the community via these same agents. Blue Label also trains community members as sales agents, to solve and troubleshoot issues with mobile redemption of airtime. They are thus involved in local capacity building, and in rural areas this is often the first formal job opportunity for local youth.

Through a variety of methodologies we see an increasing appetite for open innovation and open business models as firms realize the limitations of a dependence on solely current resources internal to the organization.

BUILDING INCLUSIVE MARKETS FROM THE INSIDE OUT

Excerpted from *Base of the Pyramid 3.0*

2.8 Building partnerships

Developing relevant partnerships is a key component of open innovation and the interactive business model. As concepts of partnership slowly gain ground, the "imperialist mind-set" that used to abound is beginning to shift. Collaborators and partners can share knowledge, expertise and, importantly, risk, lowering resource requirements for all involved. Partnerships can occur at multiple levels, between MNC partners, with NGOs, government institutions and local partners on the ground. Partnerships can be unusual but incredibly practical. Blue Label Telecoms partnered with a bakery chain called Grupo Bimbo in Mexico! Their explanation: "Where there's bread, there's airtime". Bimbo offered a deeply respected and trusted local brand and extensive distribution networks while Blue Label imported worldclass technology, digital conversion and financial service business models, helping Bimbo deliver added value into their network of low-income retailers and small shops.

2.9 Reimagining products

It used to be acceptable for companies to use a host of tricks including jingles, film stars, images and waves of TV advertisements to convince the customer that what was being sold was what was needed. It used to be that customers believed them.

Today, savvy consumers are able to verify and validate brand claims through numerous channels. The low-income consumer is forced to be that much more selective in their choices; the cost of making a mistake is simply unaffordable. Word of mouth is the most often trusted and used source of information, and through the explosion of social media and the accessibility of information through mobile phones, word of mouth has gained virtual powers. Companies must transform to be relevant to these customers for whom value and utility are an imperative. Faking it and making false claims will be punished by the market, while a push towards authenticity and the adding of real value into the consumer's life will be rewarded with brand adoption and committed lifetime customer value.

Understanding what real value is and learning how to create it can only come from deeply and actively engaging with consumers to create a purpose brand. It is important to remember, however, that if customers are to be productive and participate in co-creation, a deep respect for context, tradition and language must be upheld. Cemex, in Mexico, only understood why their "sachetization" of cement as an entry strategy into lower-income communities failed after sending teams to immerse themselves in community life. Their great insight was that cement sales were not about cement package size but rather about fear, house-building literacy and the long-term financial commitment that house building demanded. Cemex added value by helping customers with the complexities and technicalities of home building rather than focusing solely on its product.

2.10 Lessons from the BoP

Those pioneer companies in Southern Africa that have taken the initiative to initiate or increase their business among members of South Africa's low-income communities have many valuable lessons to share.

South African companies such as MTN, Standard Bank, Capitec and Blue Label Telecoms, and other MNCs operating in sub-Saharan Africa such as Unilever and GSK, which have embarked on this journey to the bottom of the pyramid, are helping to "write the book", as well as bringing development and employment to parts of the continent that desperately need it. Key lessons from these companies may be summarized as follows:

- Inclusive strategies demand that the business model is reinvented and that the firm be ready to disrupt its conventional business as usual approach
- The principles of frugal innovation must be applied in order to create a portfolio of affordable, value-adding products and services
- Internal firm structure and architecture may need to be shifted, flexible, responsive teams created and metrics developed to accommodate the development of inclusive business inside the firm
- Firms cannot focus exclusively on trade but must embed themselves into local ecosystems, taking social, political and economic considerations into account as they develop business, shifting their philosophy of business towards meeting development objectives along with shareholder objectives

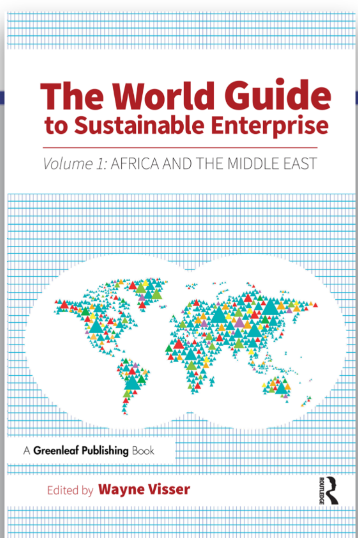
BUILDING INCLUSIVE MARKETS FROM THE INSIDE OUT

- Co-creation guides the firm toward the development of market-relevant innovation
- Local capacity building and the creation of mutually beneficial partnerships helps firms to fit in, learn and grow inside a low-income market
- Firm networks must be widened and non-traditional partners sought as internal firm resources are not adequate to successfully service low-income consumers. Blockbuster innovations emerge from the mixing of ideas and know how between multiple agents

Inclusive business models allow organizations to align the human values of their employees with work, creating greater congruence between work and personal identity. This is shown to build a happier, more productive workforce, able to integrate their managerial roles with those of community citizenship.

CHAPTER 7

MIDDLE EAST AND NORTH AFRICA



This chapter is excerpted from

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MIDDLE EAST AND NORTH AFRICA

Excerpted from *The World Guide to Sustainable Enterprise*

Regional context

According to an old Arab saying, "Cairo writes, Beirut publishes and Baghdad reads." While the human and cultural resources of the Middle East are rooted in the centuries-old histories of Egypt, Lebanon, Jordan, Iraq and Syria, the Middle East and North Africa (MENA) region today encompasses a much larger and more diverse landmass that has undergone staggering transformations over the past 60 years.

The MENA region covers approximately 8.6 million km of land and is located at the intersection of Africa, Asia and Europe. It is made up of 18 countries and has a population of approximately 355 million people, comprising roughly 6% of the world's population. While Arabs are the majority ethnic group in the region, the population encompasses various other ethnicities, including Turks, Tukomans, Persians, Kurds, Azeris, Copts, Jews, Assyrians, Maronites, Cicassians, Somalis, Armenians, and Druze, among others. Roughly 90% of the population is Muslim. (United Nations, 2012).

MENA is blessed with abundant natural resources, such as oil, natural gas, land, forests, water, as well as human capital, all of which continue to bring wealth to the region.

The majority (85%) of the MENA population live in middle-income countries, such as Lebanon, Libya, and Jordan. High income countries, also commonly referred to as the Gulf Countries, include the United Arab Emirates (UAE), Saudi Arabia, Qatar, Oman, Bahrain and Kuwait, and make up 8% of the MENA population, while low-income countries such as Egypt, Tunisia, Syria and Morocco contain the remaining 7% of the MENA population. (United Nations, 2012).

The low- and middle-income countries, commonly referred to as the developing countries of the MENA region, are undergoing tumultuous change as a result of the Arab Spring and the ensuing conflict, war, instability and violence. Today, the North Africa segment, especially Libya, Tunisia, and Egypt, is suffering from the growing pains of transitional governments and post-revolutionary insecurities of varying degrees. Egypt, for example, which ousted its first democratically chosen leader in 2012, is currently in a state of flux, characterized by a polarized political scene, which continues to threaten civilian life with sporadic violence that has no end in

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sight (World Bank, 2013).

The Levant region, on the other hand, made up of Lebanon, Syria, Jordan and Palestine, has a long history of protracted political conflict which has become increasingly intensified today due to the civil war that continues to unfold in Syria. The high-income Gulf Countries in MENA have made significant strides forward in terms of development, accentuating the gap across social, environmental and economic indicators between them and their low-income counterparts.

Hence, there is a ripe platform for sustainable enterprise development in the context of the region. Our chapter will look especially at the role of sustainable enterprise in the weaker yet fertile portion of the MENA region, where access to adequate and sustainable solutions for the most basic of social, economic and environmental needs can contribute to the region's stability and prosperity.

Priority issues

The MENA region has made significant progress over the past decade in relation to key development indicators. For example, the region boasts a primary education completion rate of 91%, an average life expectancy of 70 years and an under-five mortality rate of 38/1,000 (World Bank, 2013). With 30% of the population between the ages of 15 and 29, over 100 million youth provide a substantial untapped pool of ingenuity and talent. This educated, young, smart and resilient population of MENA is one of its greatest resources, providing immense opportunities for growth and development.

However, providing this "Youth Bulge" with the economic prospects and opportunities that they need to survive and thrive during their most productive years remains one of the region's greatest challenges (Sayre and Constant, 2011). Across MENA, youth unemployment rates have reached 25%, the highest in the world. Young unemployed males in the region spend at least two years looking for work, while women will sometimes spend three years or more (World Bank, 2014).

Besides unemployment, 23% of the population are living under \$2 a day (United Nations Development Programme, 2011) and inequalities in income distribution have resulted in increased feelings of indignity, frustration and discontent among the youth in the region, fuelling the revolutionary spirit and their gloomy aftermath.

The latest conflict in Syria, for example, continues to spill over into neighbouring countries such as Lebanon and Jordan, which have taken on the largest influx of Syrian refugees and find themselves dealing with the associated pressures on their infrastructure, public health, labour, education and security, all of which are aggravating an already delicate economic, social and political balance.

It is estimated that 1.5 million Syrian refugees reside in Lebanon, making up approximately 30% of its population, resulting in spikes of poverty and continued security breaches that are threatening civilian life and any hope of economic prosperity. Jordan has seen an inundation of over 800,000 refugees since the war began. Iraq too is housing many displaced Syrians while it continues to struggle with the shaky political foundation left behind after nine years of war and US involvement in Iraq, which ended in 2011 (UN High Commissioner for Refugees, 2014).

Creating productive employment opportunities continues to be an immense challenge for the region as a whole, with current unemployment rates generally higher than during the pre-revolutionary period (Kadri, 2011). As a result, in what is being dubbed the "Arab Winter", governments of the mid- and low-income countries in the region are struggling to meet basic social needs.

The rise of the sustainable enterprise provides a potential avenue for much-needed change and hope for introducing solutions to a multitude of complex social and environmental problems that plague the region at this particular juncture.

Trends

Sustainable enterprise is a new and growing trend in MENA. Starting at the turn of this century, various social entrepreneurs were recognized, with Ashoka introducing its own fellows from the Arab world in 2003. Sustainable enterprise offers hope for innovation in the social sector, by bridging the gaps between the public, private and non-profit sectors. Nevertheless, several obstacles constrain the development of the social enterprise sector in MENA.

One challenge is that there is very little integration and coordination among MENA governments. In general, these countries do not have shared government policies or regional legislative initiatives on any issues related to sustainable business. Even at a national level, most of the governments in this region have not yet developed any specific policies or legislation to encourage sustainable business. One exception in the region is Israel (Gidron and Yogev, 2010), where the government announced its intention to launch a social business investment fund in 2013.

The social enterprise movement in the region is growing mainly through support by foreign governments such as the USA and the countries of the European Union, employing various international agencies such as USAID and the British Council. Ashoka and the Schwab Foundation for Social Entrepreneurship are also influential organizations across the region.

A regional study on social enterprise reported that most Middle Eastern countries do not allow for "flexible and inclusive" types of organization (Wolfensohn Centre for Development *et al.*, 2010). Hence, most social businesses or eco-enterprises in the region are required to register as for-profit companies, with no special privileges or allowances that distinguish them from other profit-seeking entities (Abdou *et al.*, 2010). This is related to the fact that many countries in the region do not have laws that support risk-taking and innovation. For example, the bankruptcy laws penalize companies for failure and could dissuade social entrepreneurs (Abed and Davoodi, 2003).

The tax policies of countries in MENA are also not particularly conducive to the development of social enterprises. Most for-profit organizations in the region are subjected to a blanket tax, which means that all profit is taxed in the same way, irrespective of any social or environmental benefits. For example, Fair Trade Egypt is legally registered as a for-profit enterprise to ensure its ability to respond to market demand and to be able to export and receive foreign currency in a timely manner. These are all activities that it would be greatly limited or restricted from pursuing if it were registered as a non-profit organization. However, being taxed as a for-profit company limits its impact, as the objective of a fair-trade organization is to maximize distributions to low-income producers.

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Despite the unsupportive policy context, social entrepreneurs continue to proliferate across MENA, with Egypt accounting for 39% of social entrepreneurs and social businesses in the region, followed by Palestine (22%), Jordan (17%) and Lebanon (15%) (Hoogendoorn and Hartog, 2010). Social businesses seem to be enjoying a shy presence in countries such as Saudi Arabia and the UAE, with numbers barely reaching the 3% and 2% respectively.

The efforts of these social entrepreneurs are spread across numerous sectors, particularly education (24%), health (22%) and social justice and human rights (22%). Other efforts can be found in civic engagement (15%) and the rural development sector (10%) (Hoogendoorn and Hartog, 2010). An analysis of the Ashoka, Synergos Arab Social Innovators, Skoll and Schwab Foundation websites suggests that males constitute 66% of social entrepreneurs in the region.

Case studies

Cairo-Amman Bank (Jordan)

The Cairo-Amman Bank is a full-service bank in Jordan and the Palestinian territories, with a head office in Amman. The bank promotes itself as a champion in support of the local community and low-income customers. One programme is building on a partnership with the UNHCR that began during the Iraqi refugee crisis. Now, the UNHCR is working with Cairo-Amman Bank to provide cash-based assistance to some 75,000 Syrians living outside camps. UNHCR collects biometric information, including iris scans, as refugees are registered, using technology developed by a Jordan-based firm, IrisGuard. Cash assistance is distributed using specialized ATMs installed in over 100 locations across Jordan which require only an iris scan. The system not only prevents fraud and multiple registrations, but also avoids problems around the loss of cards and pin codes. The technology could also offer innovative ways for monitoring the distribution, movement and needs of vulnerable populations.

Cedar Environmental (Lebanon)

Cedar Environmental is an environmental waste management organization whose mission is to build community facilities that recycle waste into new forms of usable products. Cedar Environmental was founded by environmental and industrial engineer Ziad Abi Shaker, a social entrepreneur with a passion for achieving a zero-waste society. Besides waste management and recycling plants, the company is also involved in rehabilitation of industrial land and support for organic farming. Through its research and development, Cedar Environmental has succeeded in developing various ways to improve the treatment of waste. For example, it developed recycling plants to produce organically certified fertilizers from organic waste, and innovated a new technology to transform plastic bags into panel boards for outdoor use, thereby replacing wooden and steel panels.

Another Cedar Environmental initiative is around finding a use for Lebanon's green and amber bottles that have been piling up in landfills since the 2006 War in Lebanon, when the only glass manufacturing facility in Lebanon was destroyed. By partnering with a local glass blowing institution, The Khalife Bothers from the southern coastal town of Sarafand, Cedar Environmental was able to transform the used bottles into simple glass products that could appeal to urban tastes in Beirut. By doing so, not only has Cedar Environmental revived the country's glass blowing artisanship, a trade that had been passed down across generations for hundreds of years, but also diverted beer bottles from Lebanese landfills and put them to good use (Anderson, 2013, 2014).

ConnectME (Palestine)

ConnectME is a social enterprise established to support the sustainable development of economies in transition in Palestine and the wider MENA region. It has a strategic focus on the incorporation of youth and women into the social, economic and political fabric of MENA societies. To this end, ConnectME engages Palestinian and Arab Diaspora communities to support regional economic initiatives such as entrepreneurship programmes, and creates partnerships between international public and private entities and their Arab counterparts. ConnectME also strengthens relationships among the region's businesses, societal groups and governments. As a woman owned and founded enterprise, ConnectME incorporates a distinct understanding of economic development. It aims to increase the participation of all citizens in the region, closing the gender gap and empowering women by developing their capacity for leadership and providing them with opportunities for innovation.

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Landmark Hotel (Jordan)

Landmark Hotel is one of the more sustainable hotels in the region. After an extensive stakeholder engagement process and revisiting their value chain, they identified three strategic areas: employees, environment and the supply chain. Landmark Hotel has invested in extensive training programmes to encourage employees to advance their knowl edge. As a result, they have one of the lowest turnover rates in the industry, with associated savings in recruitment and retention costs. The hotel undertook an in-depth energy audit and identified various ways to reduce their energy consumption, use renewable energy, manage their waste and increase employee awareness to ensure their commitment to the programme.

The hotel held several workshops with their suppliers to identify ways to improve their relationship and be more sustainable in the process. One successful initiative as a result was with a fruits and vegetables supplier. They struggled to provide the hotel with the necessary products fast enough due to a lack of packaging material. As a result, the hotel changed their process and invested in more sustainable packaging, which is rapidly returned to the supplier to be reused.

Liliyot Restaurant (Israel)

This culinary establishment has developed an important social programme to rehabilitate youth at risk. Specifically, it trains and employs around 15 high school dropouts every year, allowing them to learn a skill that can earn them a decent living. The youth are taught, trained and employed for a period of up to 18 months, receiving support from qualified professionals, including a social worker, over this time period. The restaurant partners with Elem, the Organization for Youth at Risk in Israel, to make this programme a reality. The initiative was further expanded when Liliyot opened a bakery, allowing the restaurant to take on more young people and also teach them new skills. The programme participants receive full salaries and are expected to meet the same high standards as all employees. A study by the Bar-Ilan University in 2008 found that the participants in this programme ended up in better life circumstances than peers who were not at Liliyot, thus demonstrating the importance of this small but effective initiative in Israel.

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Nahdet El Mahrousa (Egypt)

Nahdet El Mahrousa aims to empower the ideas of young Egyptian professionals to create new, innovative initiatives that lead to real, impactful social change. Nahdet El Mahrousa is the first incubator of early stage social enterprises in the Middle East and the region. It is also one of the few in the world incubating young social entrepreneurs at the conception or idea stage. Since its founding, Nahdet El Mahrousa has incubated over 40 social enterprises in areas such as youth development, education and employment, health services, environment, scientific advancement, arts and culture, and identity.

Nahdet El Mahrousa's social entrepreneurs currently reach and impact approximately 50,000 individuals in Egypt annually. Considered a hub for young Egyptian professionals, it is the first incubator of innovative social enterprises in Egypt and the region. It has several successful programmes and partnerships. Among its flagship incubated social enterprises is Egypt's first public university-based Career Development and Entrepreneurship Office in Cairo University and the Young Innovators' Awards which supports research and development across Egypt's public universities. Other incubated social enterprises and organization-wide partnerships cover topics such as civic engagement, tolerance, peace education and public health.

Sarah's Bag (Lebanon)

Sarah Beydoun, founder and creative director of Sarah's Bag, was born and raised in Lebanon. She belongs to a generation of Beirut-based designers who came of age after the country's 15-year civil war (1975–90) and who contributed towards rebuilding the city's cultural life through their work in various creative industries, including jewellery, furniture design, haute couture, artisanal products, fine arts and the performing arts. In 1999, Sarah became involved in volunteer work at Dar Al Amal, rehabilitating former prostitutes and ex-convicts and helping them to reintegrate into society by teaching them skills and improving their literacy. After a few months at Dar Al Amal, she came up with an idea that combined her interest in bettering the lives of underprivileged women with her love for fashion.

Thus in 2000, Sarah's Bag was conceived as a means of employing disadvantaged women to produce artisanal products. Sarah believed that these women, who suffered deeply from economic deprivation and the stigma of having served time in prison, could learn valuable skills that would generate a reliable income and become a source of pride, dignity and empowerment. After years working from prison, several of the inmates Sarah had trained were released and she encouraged them to continue working for Sarah's Bag. The enterprise is on track to becoming a leading accessories house in the Middle East, infusing fashion with cultural designs and a social conscience. Her mission is to design and locally produce creative items that bridge Arab tradition with modern (Western) trends, all while working with disadvantaged women in Lebanon (American University of Beirut, 2011).

Further resources

CSR Watch: Jordan – An online stakeholder-driven platform that aims at enhancing the practice of CSR in Jordan through disseminating CSR knowledge and coordinating public coalitions for CSR advocacy across all sectors in Jordan.

Dubai Chamber Centre For Responsible Business (CRB) – Established in 2004, the CRB assists members of the Dubai Chamber and the rest of the business community in adopting responsible business practices.

Egyptian Corporate Social Responsibility Centre (ECRC) – As the focal point for the local network of the UN Global Compact, it offers a wide variety of services that supports the members to implement and adopt sustainable practices within the framework of the Global Compact.

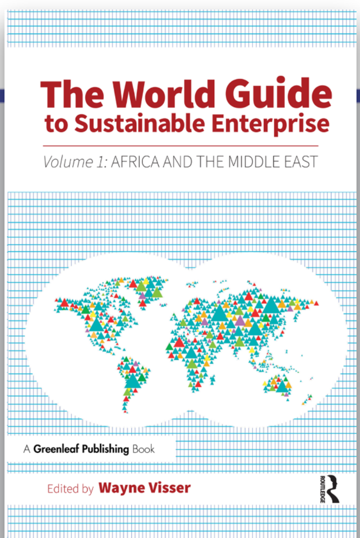
Oman Green Building Council – A non-profit, non-governmental organization established in 2012 with the objective of promoting the green building concept and principles.

Qatar Foundation – A private, non-profit organization that aims to serve the people of Qatar by supporting and operating programmes in education, science and research, and community development, and striving to nurture the future leaders of Qatar.

CHAPTER

8

SUB-SAHARAN AFRICA



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Learn more

SUB-SAHARAN AFRICA

Excerpted from *The World Guide to Sustainable Enterprise*

Regional context

The sub-Saharan Africa (SSA) region refers to the area of the continent that is to the south of the Sahara desert and is commonly referred to as Africa. The region comprises of 47 countries. The population of SSA as approximately 936 million in 2013, according to the World Bank (2013). About 57% of the population is Muslim, 29% is Christian and 13% follow African traditional or indigenous religion. Life expectancy at birth in Africa is 56 years old. The African population is predominantly rural, with 37% of the population living in urban areas. The opportunities in the cities have led to migration away from rural areas, resulting in overpressure on urban infrastructure, as well as higher competition for jobs that are in low supply, and a decline in rural areas.

SSA has struggled to shake its label as the "dark continent", associated with its past woes of military coups, political crises, security crises and religious tensions. Yet the narrative on Africa is changing to the "rising continent". Between 2001 and 2008, Africa was among the fastest growing regions in the global economy, and the growth of the continent was not significantly impacted on during the last global financial crises, in part due to the underrepresentation of African businesses in the global economy, and the large informal economy in Africa. The Gross Domestic Product (GDP) of the continent has maintained an average growth rate of about 5.3% in the last five years and is set to rise to 5.8% in 2015, according to the IMF.

However, GDP only tells a part of the story, and the continent continues to face developmental challenges associated with poverty, poor infrastructure, lack of education and health pandemics, such as the recent Ebola crises in West Africa which revealed the dire state of health infrastructure on the continent.

The sociopolitical environment has also changed, with 2014 marking 20 years since apartheid was abolished in South Africa. This reflects a broader trend to democratize the continent, with multi-party elections and less political tension during election periods. This relative political stability and change in the economic narrative of the continent has resulted in a focus on businesses as an instrument of development. This is a marked shift from the developmental focus of the past century that was heavily reliant on aid. Now, we see the rise of the "Afripreneur" – a new breed of inspired, young entrepreneurs who want to change the African narrative.

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As a result, we see the emergence of innovation centres across the continent, such as the booming technology hubs in Kenya and Nigeria. Gradually, these African enterprises are also beginning to weave sustainability and social responsibility through their organizations by incorporating environmental, social and governance (ESG) philosophies. The triple-bottom-line approach has also been supported by many international organizations operating in Africa. Hence, we can say that there is great potential, but the focus on sustainable enterprise is still nascent.

Priority issues

The priority issues in Africa include a wide range of developmental challenges such as poverty, hunger, income inequality, unemployment, corruption, human rights, infrastructure, gender equality and environmental protection.

Poverty remains an enormous challenge for SSA. In 2011, the World Bank estimated that 48.6% of people in SSA are living in poverty (World Bank, 2015). Poverty links closely to hunger, with the two often coming hand in hand, and the statistics for hunger are worrying. The United Nations Food and Agriculture Organization estimates that about 805 million people of the 7.3 billion people in the world, or one in nine people, suffered from chronic undernourishment in 2012–14. In SSA this was about 23.8% of the population (FAO, 2014).

With regards to income inequality, according to the African Development Bank (2012), in addition to being one of the poorest regions in the world, Africa is also the world's second most inequitable region after Latin America. Inequalities have not diminished over time. In 2010, six out of the ten most unequal countries worldwide were in sub-Saharan Africa, and more specifically in southern Africa.

Closely linked to income inequality is unemployment. According to the ILO (2015), unemployment in SSA was at 7.7% in 2014 and is expected to remain stable through to 2018. However, this figure does not capture the workers in the informal economy, which comprise a significant portion of the economy. In addition, the quality of available employment and the nature of jobs, remain a concern.

High levels of poverty and hunger are often hindered from improving due to the high levels of corruption in SSA region. Transparency International (2015) argues that corruption hurts the daily lives of SSA people as majority of African countries still have endemic levels of corruption.

Notwithstanding the priority issues highlighted above, there remains optimism that with improved infrastructure and development, SSA will be able to tackle its developmental challenges. While there have been investments in infrastructure, the continent still has some way to go. Some cities such as Johannesburg and Kigali have been commended for the worldclass standards of their infrastructure. The African Development Bank (2011) calculates that sub-Saharan Africa will require sustained spending of about $93 billion per year to improve the current infrastructure problems.

In terms of the environmental protection as a priority issue, it is vital to protect SSA's environmental sustainability. According to the World Bank, significant climate and development impacts are already being felt in some regions. These include extreme heat waves, sea level rise, more severe storms, droughts and floods. These environmental issues will have the most severe negative implications for the poorest (World Bank, 2013).

Human rights protection and striving towards gender equality are high on the priority list and these take numerous shapes and forms but are hard to quantitatively capture in cross-country or regional analysis. Human rights abuses tend to be more prevalent in countries in war and those in a post-conflict state. Similarly to human rights abuses, gender equality is challenging to quantify given that it comes in various ways. Again, in areas affected by war, there is far more risk of females being considered as second-class citizens.

Ultimately, reducing poverty remains the most significant developmental priority and goal of the continent, given the multiple links it has with the other priority issues mentioned above. Poverty reduction can be sustainably achieved by the creation of good and stable jobs and business opportunities for entrepreneurs. Many of these opportunities are likely to be in the agricultural sector, which is another key priority area for Africa.

One of the barriers facing sustainable enterprises in Africa is the lack of access to affordable finance to cover start-up and scaling costs. Here, financial institutions and policy-makers need to work together to reduce costs, improve access and educate entrepreneurs on necessary business practices. Weak institutions and the

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lack of enforced regulations by governments also impact on the ability of sustainable enterprises to thrive, allowing social and environmental objectives to be regularly sacrificed in favour of economic growth.

Despite these barriers, Africa has vast potential and favourable demographics. For example, according to the African Development Bank, over 60% of Africans are below the age of 25, representing significant human capital for development. However, these young people are low-skilled and faced with poor employment prospects. Sustainable enterprises can help to turn this "demographic dividend" into shared value by providing access to finance, training and mentoring.

Intra-African trade is another priority issue for the growth of sustainable enterprises in Africa. This relies on the enforcement of regional agreements, reduction of bureaucracy, elimination of trade barriers, improvement in infrastructure and increased availability of information to facilitate trade between African countries. Hence, there needs to be a convergence between entrepreneurs and the public sector. Entrepreneurs can work together to form groups that articulate their interests to the policy-makers, who in turn, should work with entrepreneurs on determining the right type of environment for these sustainable enterprises to thrive.

Trends

There has been a slow uptake of sustainable enterprise in sub-Saharan Africa, despite rising awareness of social and environmental challenges. There is little or no collective data available on sustainable enterprises in Africa; however, in the past decade; sustainable enterprises and social enterprises are increasingly being seen as a vehicle for actualizing sustainable development on the continent. More success has been achieved in countries that have worked to create an enabling environment for entrepreneurs, such as the incubator hubs in Kenya, Nigeria and Rwanda. Given the right incentives, sustainable enterprises are proving to be highly responsive channels for adaptive, local solutions in Africa, especially in sectors such as agriculture, power generation and consumer goods. The growth of solar power on the continent is a particular case in point.

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Excerpted from *The World Guide to Sustainable Enterprise*

Innovative entrepreneurs are turning previously accepted norms on their head and formulating new ideas and ways to solve the developmental problems of Africa. An example is the recent Ebola health epidemic in West Africa in 2014, which revealed the poor state of health infrastructure provision. While this has presented challenges, there are also opportunities for enterprises to work together with government and public-sector organizations on identifying how the different stakeholders can come together to improve the health infrastructure in Africa.

Africa has a large informal sector, comprising around 80% of the labour force of the continent and providing about 55% of its GDP. This is good for entrepreneurial activity, but typically provides insecure employment in unregulated environments, with little or no employment rights for workers. Hence, the trend among many governments in Africa is to encourage these enterprises to join the formal sector, by using bank accounts, keeping accounting records and incorporating their enterprises. Along with increased accountability, this allows SMEs to gain better access to finance at lower borrowing costs.

Case studies

Afrique Energies Nouvelles (Cameroon)

Afrique Energies Nouvelles is a remarkable social enterprise in the energy sector, not only because it is the innovative project of a local entrepreneur, but because of its dual purpose: to invest into and develop renewable and sustainable energy solutions adapted to the Cameroonian context; and to provide comprehensive training for a new generation of engineers, thereby improving local capacity in developing and implementing renewable energy solutions. Afrique Energies Nouvelles is also collaborating with the government in order to provide sustainable energy sources to remote areas of the country, offering rural populations an alternative to grid power by facilitating the innovative utilization of solar power and other renewable energy sources.

ARTI Energy (Tanzania)

The Appropriate Rural Technology Institute (ARTI) Energy is engaged in the identification, development and introduction of sustainable energy technologies in Tanzania. The company sells a range of alternative energy products including charcoal briquette and solar energy systems. The company follows a community-based enterprise model in producing charcoal briquettes, using local groups trained in the production method to produce char powder from agricultural waste. The community enterprise collects the powder, makes the briquettes, and dries and packages them in a ready to use form. The community and multi-stakeholder partnerships based charcoal production technology offers an innovative and need-based energy solution model with adequate focus on sustainability dimensions. The process engages community members and replaces biomass fuel use. The scalability potential also appears high, not only in Tanzania but also in similar contexts elsewhere.

Creative Entrepreneurs Solutions (Namibia)

Creative Entrepreneurs Solutions, a grantee of the Global Environment Facility (GEF) Small Grants Programme (SGP) in Namibia, developed the EzyStove, a fuel-efficient stove that is designed to meet the needs of Namibian women living in rural areas. It is user-friendly, easy to assemble and uses just one short branch of wood to boil 2 litres of water in eight minutes. The stove reduces fuelwood consumption by two-thirds and wood smoke emissions by 60–80%. EzyStove won a number of international awards, including the Innovation Award at the United Nations Framework Convention on Climate Change's (UNFCCC) "Momentum for Change – 2013 Lighthouse Activities" event.

Kakira Sugar Limited (Uganda)

Established in 1985 and currently employing over 7,000 people, Kakira Sugar Limited (KSL) has a crushing capacity of 6,000 tonnes of cane per day. It adopts a strategy of good governance to directly tackle global social and environmental challenges. The firm initiated a programme for co-generation of electricity, which uses bagasse (waste fibre from sugarcane) to produce renewable energy in the process of making sugar. The 160 tonnes/hour boiler is the largest installation of its kind in Africa. The plant now produces 50 MW of electricity, about 8% of the energy produced in Uganda. KSL uses 13 MW and sells 37 MW to the national grid. The firm also uses Sunn hemp (*crotolaria*), a deep rooting green manure fallow crop that fixes nitrogen in the soil. After ploughing in, it decomposes rapidly, providing nutrients and humus for the soil.

Kgalagadi Resources Development Company (Botswana)

Incorporated in 1976 and introducing its first solar systems into Kgalagadi villages in 1977, the Kgalagadi Resources Development Company (trading as Solar Power) is a pioneer in the solar industry in southern Africa. Located in Gaborone, the company provides services such as solar geysers, solar photovoltaic panels and solar pumps. A number of photovoltaic pilot projects have been undertaken with the assistance of the Japanese International Cooperation Agency (JICA) to enhance energy sustainability in the region.

The Kgalagadi Resources Development Company has been instrumental in facilitating access to electricity in rural areas of Botswana where it is very costly to connect to the national grid due to very long distances and sparse populations. The company has installed hundreds of solar power systems in school classrooms, rural reading rooms and health clinics. They have also benefited the communities of the San, the original inhabitants of the Kalahari Desert. The installation of solar power systems in rural areas has had the additional benefit of reducing depletion of forests, as communities reduce their reliance on wood for fuel.

SABMiller (Mozambique)

SABMiller, one of the world's largest brewers, is listed on both the London and Johannesburg stock exchanges and has more than 200 beer brands and 70,000 employees in more than 75 countries. In the financial year ending 31 March 2013, the group's international revenue was US$31.3 billion and, of that, SABMiller generated two-thirds of its worldwide profits in emerging markets, including Africa. In one African market – Mozambique – the group has applied an innovative approach to its business and adopted a radical twist to the organization's traditional approach to beer production in an effort to serve the low-income consumers who comprise the bulk of the African economy.

In Mozambique, by building a series of partnerships at various levels, SABMiller has developed a low-cost beer called Impala, using local cassava sourced from a combination of rural smallholder farmers and a few larger commercial farmers. In a marked departure from SABMiller's scaled and global supply chain best practice, the manufacturing process is decentralized, beginning at the farm gates of scattered, rural cassava smallholder plots. SABMiller's technology partner, the Dutch Agricultural Development and Trading Company, deploys the AMPU unit (Autonomous Mobile Processing Unit), to process the locally grown cassava crops, converting the raw produce into a dehydrated, lightweight and easily transportable input for the beer brewed at its Nampula site in northern Mozambique.

The case illustrates how a multinational firm can reinvent its business model to adapt to a local, low-income context successfully. Importantly, it opens a debate on the role of business in society, the subject of ethics in serving those living in poverty, the creation of shared value methodologies and the importance of developing inclusive models to foster economic development in low-income communities.

In this case, SABMiller created market activity and grew local incomes in an otherwise neglected rural Mozambican economy. Rural cassava growers previously hampered by a lack of access to the market, with a perishable crop which requires processing within 24 hours of harvest, were offered an economic lifeline through the AMPU technology and a ready buyer for the processed cassava. While questions certainly exist about the production of low-cost beer in a low-income, developing market, the resultant economic activity is a decided boon for the rural producers being supported by this initiative.

Standard Bank (South Africa)

Standard Bank Group is the largest of South Africa's "big four" banks. Established in 1862 as the local subsidiary of a British Bank, Standard Bank was a key financier and developer of the famous Kimberly diamond mines in South Africa. Today it is the largest African bank by assets and earnings, with operations in 19 countries on the continent. Standard Bank first dabbled in serving the "under-banked" through a Community Banking unit which existed more as an exploratory skunk works operation. The bank's operations were heavily focused on more traditional markets: Personal Banking, which served a middle- and upper-income residential market; and Business Banking, which served the corporate market, and small- to mid-sized enterprise customers.

However, driven by a decade of strong economic growth, the end of apartheid and the rise of a massive market segment called the "emerging market subsegment", fundamental shifts in the African banking landscape and new competitors caused

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Standard Bank to redefine Community Banking as Inclusive Banking, drawing it closer into the organization's centre. The bank embarked on a drive to capture the loyalty and share-ofpocket of first-time buyers of goods and services (defined as individuals earning about US$1,000 or less a month) by offering customers a full range of products to meet their transaction, savings, borrowing and protection needs. First generation strategies were costly exercises, and design flaws and poor customer engagement saw a high failure rate on products.

Learning from this experience, the bank overhauled its strategy. The Inclusive Banking division launched the AccessBanking model. Its aim was to create a unique presence in the many townships and informal settlements across the country. To this end, the Inclusive Banking division pioneered an approach to partner with local retailers and "spaza" shops which were already operating in townships and urban areas. By turning these "mom and pop" stores into mini bank branches, Standard Bank hoped to expand their footprint, improve access by creating in-community touch points and leverage local relationships to build brand recognition and loyalty in previously under-served communities. Creating this network of AccessPoints and AccessSalesAgents forms the basis of the AccessBanking model.

The move did encounter challenges, including the need to change the fundamental behaviours of low-income customers, tough competition from new lower-cost entrants with "no frills" disruptive retail models, and internal scepticism around the model which challenged banking norms and status quo. The strategy behind the model called for large investments to be made in the Inclusive Banking in-community infrastructure. Ultimately, however, the net effect is positive for both the bank and the local retailers. The micro-enterprises and spaza stores attract higher foot traffic as a result of the added financial services offerings, while simultaneously learning operating efficiencies as the bank undertakes business know ledge transfer to help improve the quality of micro-enterprises in its network. Standard Bank, of course, benefits from an expanded footprint and leveraging relationships with an eye to future growth as it establishes a foothold in a new and dynamic consumer market.

Trust Industries Limited (Rwanda)

Trust Industries was founded in 2009 by Mugabo Claver and began its eco-friendly

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liquid detergents and cosmetics production in an abandoned edible oil factory in Kigali. After technical visits to other countries and acquisition of modern equipment, the business has grown into a significant manufacturing company of 50 staff, and now exports to Burundi, the Democratic Republic of Congo and south Uganda. Trust Industries' main business model is to turn waste paper into high-quality biodegradable paper products. One of the reasons for its success has been the combination of local and expatriate staff, thus blending international expertise and national sensitivities.

UAP Insurance Kenya Ltd (Kenya)

In 2011, there were 47 insurance companies and three reinsurance companies operating in Kenya. Only 7% of the country's 39.5 million population had insurance, with the bulk of the industry concentrating efforts in middle and upper economic segments. Lower-income segments represented a vast untapped insurance market, which UAP Insurance Kenya Ltd decided to target.

Nairobi-headquartered UAP Insurance Kenya Ltd (UAP) boasts roots in Kenya dating back to the 1920s and, by 2013, had ten businesses operating in Kenya, Uganda, South Sudan and Rwanda, focused on insurance and a financial service business. The firm prides itself on being an inventive "ideas bank", a moniker it is confirming in the market with Kilimo Salama, a product aimed at subsistence farmers who typically farm on less than two acres of land.

Through a pilot project in 2009, which targeted 200 farmers in the Laikipia district, north of Nairobi, UAP, in collaboration with the Syngenta Foundation and Safaricom, launched a pay-as-you-go crop micro-insurance plan called Kilimo Salama (Swahili for "safe farming"). Drought hit the region, which resulted in pay-outs for the first cohort of 200 farmers. The rural grapevine and word-of-mouth spread the story, making Kilimo a household name in rural communities.

The Kilimo business model overcame financial literacy and infrastructural constraints through a series of innovations and partnerships that lowered cost and shared risk across a group of stakeholders. By bundling the cost of the insurance with that of the seed and fertilizer, and making the insured seed easily available at local agro-vet stations dotting the countryside, the model simplified the purchasing decision for farmers. Weather towers recorded microclimate

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information and pay-outs were made automatically by mobile money M-Pesa services straight to the farmer's phone, doing away with complex claims processes. By April 2013, the programme insured more than 65,000 farmers and was ready for full commercialization after three years of testing, refining and adapting.

The case of Kilimo illustrates the importance of understanding market dynamics and distribution chain issues, learning from past challenges and making active decisions to refine products accordingly. As such, Kilimo could soon rival the success of other Kenyan innovations such as M-Pesa. Furthermore, adoption of Kilimo Salama by previously uninsured farmers builds trust in the UAP brand and opens untapped vistas for health and life insurance.

The initiative goes beyond a conventional transactional model. The introduction of farming and business skills training via NGO Agmark, and the high-yield, drought-resistant maize seed called Duma 43 used in the project all add value to farmers traditionally marginalized from protection systems and vulnerable to economic shocks. Even if the farmers don't claim, they still benefit from the use of the hybrid seed thanks to higher yields. A key element behind Kilimo Salama's success is the series of collaborations which UAP has successfully put into play to share risk, leverage strengths and lower cost, ensuring that a sound value proposition is delivered to service the rural low-income farmer.

Further resources

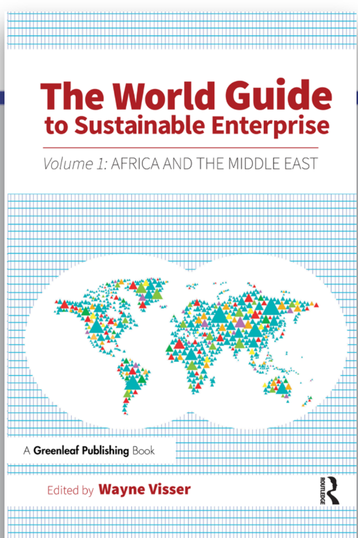
The following organizations do good work in promoting sustainable enterprise in SSA:

- African Leadership Academy
- Awethu Project
- East Africa Social Enterprise Network
- Grass Roots Business Fund
- Schwab Foundation
- World Economic Forum

CHAPTER

9

SOUTH AFRICA



This chapter is excerpted from

The World Guide to Sustainable Enterprise: Volume 1 - Africa and the Middle East

edited by Wayne Visser.

Learn more

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Excerpted from *The World Guide to Sustainable Enterprise*

National context

In 2014, South Africa celebrated 20 years of freedom from apartheid. The last two decades have brought democratization of the political system, a deracialization of the public system, and greater access to education, health and social support grants for the poor. It has also brought corruption and cronyism, failed service delivery in many municipalities and the Marikana tragedy, where 34 striking miners were killed by police outside the Lonmin platinum mine in the north-west of the country.

Classified as a middle-income, emerging market, South Africa is home to the second largest economy in Africa. Harbouring a wealth of natural resources including gold, coal, chromium, diamonds and platinum, its semi-arid hinterland is subject to prolonged droughts. With a population of 52 million people, the median age of 25 and high rates of urbanization characterize it as a growth economy, set to return a demographic dividend on its youth.

Yet despite well-developed financial, legal, communications, energy and transport sectors, the country has struggled to match the growth of many of its sub-Saharan peers. Unemployment, poverty and inequality – among the highest in the world – present significant challenges, with balance of payments and budget deficits impeding the State's ability to address these challenges. Growth is further constrained by energy availability, with the state-run power company Eskom running close to peak capacity and subject to periodic load-shedding.

Although support remains high for the governing African National Congress, it has declined in urban areas since 1994. The government faces a fork in the road: it must decide how to address a growing socialist challenge from the left, and the urgent need to simulate inclusive growth to tackle the rise of unemployment and rebellious anger on the right.

Priority issues

Priority issues were clearly outlined in a diagnostic report issued by the South African National Planning Commission (2011). Too few South Africans work and the quality of school education for most black people is substandard. Poorly located

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and inadequate infrastructure limits social inclusion and faster economic growth, while spatial challenges continue to marginalize the poor.

South Africa's growth path is highly resource-intensive and hence unsustainable. The ailing public health system confronts a massive disease burden and the performance of the public service is uneven. Corruption undermines state legitimacy and service delivery and South Africa remains a divided society.

A National Development Plan was proposed to address these issues. Although the plan does not enjoy the support of all sectors, notably major players within the labour movement and the Communist Party, as well as certain factions within Government, it provides a clear indication of where South African companies might seek to deliver social value through their operations.

Trends

Research on sustainable enterprise in South Africa is limited. Initiatives such as The Africa Investing for Impact Barometer Bertha Centre (2014) seek to explore the activities of impact investors, while books such as *Behind the Green Veil* (Thwaits and Bouwer, 2013) and various published articles (Hamann, 2012; Hanks *et al.*, 2008) reflect cases of broader sustainability appeal. An expanding literature of as yet unpublished work focuses on the role of small and micro-businesses in delivering social value (Bergh, 2013).

Many CSR-oriented surveys are conducted on an annual basis by academics, advisory groups and initiatives, resulting in a store of environmental, social and governance (ESG) data on listed South African companies. Much of this data is accessible or available in the public domain. Initiatives include the Socially Responsible Investment Index of the Johannesburg Stock Exchange (JSE), the CDP (formerly the Carbon Disclosure Project) and the Ernst & Young Excellence in Integrated Reporting Awards. The *Mail & Guardian* (2014) publishes its Greening the Future Awards on an annual basis, featuring both large and small-scale examples of sustainable practice.

While various initiatives in South Africa meet some of the criteria for sustainable enterprise (for example, creativity and responsiveness), fewer meet the criterion of

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scalability. It is not easy to think of any that meet all of the criteria all of the time. The seeds of truly sustainable enterprise are easier to find in social enterprises that are exploring a hybrid model between traditional for-profit and non-profit organizations. Funded by a small but growing band of South African impact investors, many of these companies remain stuck in the start-up stage of business growth due to an inadequate policy framework, lack of investment and financial support (Bergh, 2013). Yet examples can be found in virtually every sector.

Government policies

Several national initiatives focus on the area of CSR and, particularly since 1994, South Africa has been recognized as a global leader in the field. In addition to legislative developments, CSR-related initiatives have emerged through the efforts of professional associations, industry bodies and non-governmental organizations. Such initiatives are relevant to this review inasmuch as they may act as enablers or incubators of scalable interventions, linked to core operations.

Corporate Social Investment (CSI), for example, is prescribed in terms of the broad-based black economic empowerment (B-BBEE) regulations, which require that companies spend 1% of net profit after tax on socioeconomic development. While some companies have approached this provision as an exercise in compliance, others have explored how CSI can link directly with their business strategy, for example in relation to skills development or talent pipeline.

Two policy interventions have arguably had the most impact. These are the B-BBEE legislation released in 2003, which aimed at addressing inequality and advancing economic transformation, and the King reports on corporate governance, issued by the Institute of Directors in South Africa, in 1994, 2002 and 2009.

Although not promulgated as legislation, governance principles under the King codes have attained quasi-legal status and take-up has been strong. The recommendations gained further impetus as some were incorporated into the Companies Act or were promoted as part of the "apply or explain" listing requirement issued by the Johannesburg Stock Exchange. All JSE-listed companies have been expected to issue annual integrated reports since 2012, requiring a clear explanation of how they are responding to social and environmental issues

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of relevance to their business strategy.

In 2011, the Pensions Fund Act was revised to require investors to take account of ESG factors in their decision-making process. The Code for Responsible Investing in South Africa (CRISA) came into effect a year later, giving guidance on how institutional investors should execute investment analysis. South Africa is the second country after the UK to formally to encourage institutional investors to integrate responsible investment principles into their investment decisions.

While both companies and investors have responded dutifully to a host of compliance or "apply or explain" CSR provisions, their practical action has in many instances lacked imagination and meaningful application. As a result, CSR provisions have enabled the development of sustainable enterprise only to a limited extent.

Case studies

Curro Holdings

Although criticized for its performance on diversity, private school group Curro Holdings targets primarily low-income earners and delivers an innovative product that meets a growing social need. Education is broadly recognized as being key to addressing the South African unemployment challenge. Curro's model seeks to make what has previously been available only to higher income families accessible to lower-income earners. Curro listed on the JSE in 2011 and turned a profit for the first time in 2012. For funders such as PSG, Thembeka Capital, Old Mutual and the Public Investment Corporation (PIC), its cash generative, non-cyclical income holds promise in the face of continued market volatility.

Discovery

Insurance company Discovery's Vitality model – built on behavioural science, actuarial analysis and hard data – has changed the face of health insurance in South Africa. Independent research shows that membership of Vitality is associated with improved health and greater engagement in healthy activities. This targets significant social needs, including the growing burden of non-communicable

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diseases and spiralling medical costs. It also provides the company with lower and more accurate risk pricing, better selection in its member portfolio, and lower lapse rates and loss ratios. "Why is Discovery, a South African firm, paying its customers to get healthy while most Western insurance giants do not?" asked *The Economist*.

DTI Clothing Clusters

Sustainable enterprise is also being promoted via public–private partnership. The clothing clusters of the Department of Trade and Industry are a case in point. Launched in 2010, the programme works with funders, retailers and cut–make–trim operators to return clothing production to the country, following a major offshoring drive by retailers after 1994. "There is a clear alignment of interests," says Justin Barnes, executive chairman of BM Analysts who consults on the programme. "Entrepreneurs want to grow their businesses; retailers need secure supply; the government wants jobs. There has to be a commercial benefit for all, immediately. This model does not provide for greed; manufacturers are trading off smaller margins for greater support." The initiative makes use of lean principles, introducing waste reduction and energy efficiency principles into the operations.

Nedbank

While not yet delivering on its innovative potential, financial services company Nedbank is certainly exploring its options in the sustainable enterprise arena. Originally branding as "The Green Bank", it shifted its focus to promising "Fair Share 2030" in 2013. The company has earmarked an initial R6-billion target for lending or investment in "future-proofing the environment, society and Nedbank's business".

Riso Africa

In the technology arena, Riso Africa produced the world's first viable solar-powered printers, duplicators and copiers. Designed to meet the needs of schools in rural areas that have no access to electricity, the printer has a maximum draw of only 110 watts at an output of up to 90 pages a minute. Given that more than 3,000 schools are not yet connected to the national grid, this is an empowering innovation for learners and educators across the country. Riso's products are

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developed on life-cycle assessments that aim to reduce their CO2 footprints by around 31% in comparison with previous models. "Our highest-spec machine consumes 15% of the power for every page compared to other energy star-rated printers," says Ken Hor, Riso's business analyst. "Our inkjet printers have zero toner and ozone emissions, and our duplicators use recycled banana leaf-fibre masters. We also supply soy-based ink."

Tembeka

Innovative social investment company, Tembeka, attracts investors – individual, institutional and corporate – that are prepared to take a social return (job creation and helping to reduce poverty through the creation of micro-enterprises) over a financial return. It uses investments to fund micro-entrepreneurs and development microfinance institutions working in poor communities across South Africa. In 12 years, Tembeka's investments have amounted to ZAR 52 million (approximately US$4.4 million), taking account of the multiplier effect, with loan repayments exceeding 95% repayment rates. Tembeka, together with its partners, currently supports more than 160,000 final users of the funds.

Further resources

Impact Amplifier – Seeks to accelerate the growth and capital provision of high-impact, innovative businesses in Africa. It helps impact investors to source and invest into compelling opportunities, provides investment readiness and advisory services to social businesses, and offers supplier development and sustainability advisory services to corporations and public institutions.

National Business Initiative – With strong roots in the transition to democracy, the NBI is a voluntary organization of member companies that seek to shape a sustainable future through responsible business leadership and action. Project areas include Business Against Crime, the Colleges Collaboration Fund, the Energy Efficiency Accord, the United Nations Global Compact Local Network and the CDP.

One Thousand & One Voices – Invests private family capital to drive economic development and create stable jobs in rising markets (defined as those markets that are experiencing robust economic growth, but that carry a substantial legacy

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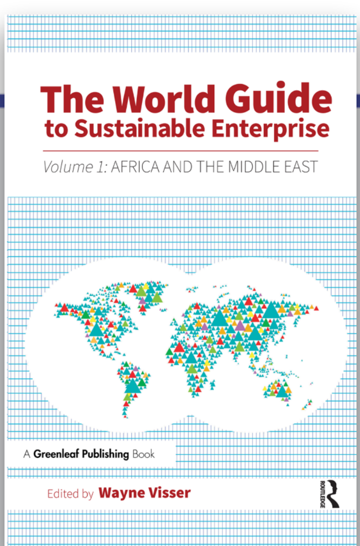
of poverty, inefficiency and undercapitalization). The model activates a three-dimensional capital approach, including the deployment of relational capital, intellectual capital and patient financial capital in its investments.

Reconstructed Living Lab (RLabs) – A social enterprise that seeks to empower and reconstruct local and global communities through innovation. Founded in Athlone, Cape Town, in just over five years, it has worked in 21 countries, incubated 22 social enterprises, helped to create 900 jobs and provided free training for 18,711 people.

The Bertha Centre for Social Innovation – The Centre was established in 2011 as the first academic centre in Africa dedicated to promoting social innovations that positively change and challenge existing policies, technologies, beliefs and structures. Their focus is on local and civil-led solutions, including public–private partnerships (PPP) in education, health, innovative finance, poverty and inequality in Africa.

CHAPTER 10

NIGERIA



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NIGERIA

Excerpted from *The World Guide to Sustainable Enterprise*

National context

> Above, clouds like dyed cotton wool hang low, so low I feel I can reach out and squeeze the moisture from them. The new rains will come down soon.
>
> Chimamanda Ngozi Adichie (Adichie, 2004)

Nigeria is elemental. Anyone who has navigated the huge puddles that swamp Lagos' streets after those rain clouds have passed through will know what I mean. It is a country of contrasts. 10.5 million Nigerian children do not go to school, the most in any country in the world, yet its literature is world class: Chimamanda Ngozi Adichie is one of a group of hugely talented authors who spread Nigerian culture to an international readership. Ms Adichie sees "fiction as a social force", the proposed subject of her lecture to inaugurate the Folio Prize Festival.

Nigeria's talent is also elemental, and seizes opportunities: it is home to Africa's wealthiest man, Alike Dangote, a self-made billionaire from flour, sugar and cement with a net worth of US$21.3 billion. Regarded as the second most influential man in Africa, he heads the Dangote Group, whose Foundation provides philanthropic support in health, education and empowerment. According to *Forbes*, he is joined in Nigeria by a further 12 billionaires, the highest number in Africa.

In May 2014, the leaders of 31 major banking, telephony, agricultural, and oil and gas companies in Nigeria agreed to the establishment of a common platform, the Council for Sustainable Development (affiliated to the WBCSD), that will enable them to promote sustainable initiatives.

Nigeria is part of the MINT, an acronym for new emerging markets (Mexico, Indonesia, Nigeria and Turkey), countries which are set to take over from the hitherto famous BRICs as commercial powerhouses. A youthful demographic and huge oil reserves underpin this elemental country, making the Nigerian economy – worth US$510 billion – the largest in Africa.

The World Bank, though, in 2015 ranks Nigeria 170/189 for Ease of Doing Business, and the oil price has slumped internationally at a time when renewables are gaining ground and fossil fuel extractors are being pressured to leave their climate-change accelerating, GHG-busting bounty in the ground.

NIGERIA

Excerpted from *The World Guide to Sustainable Enterprise*

Priority issues

Sixty per cent of Nigerians still live below the national poverty line (DFID, 2015) – a huge number as a total population of 183.7 million persons make it Africa's most highly populated country (The Economist, 2015).

For so long synonymous with corruption, the country's oil reserves have been squandered for years, with what is known in the accountancy world as "leakage" happening both on a literal level – with disastrous pollution – and metaphorically in terms of graft.

Just before last year's Africa CEO Forum, the central bank governor claimed up to $20 billion of oil money had disappeared between January 2012 and July 2013, meaning the country's foreign reserves were under huge pressure. The governor, Lamido Sanusi, was promptly sacked for his troubles (The Independent, 2015).

The Transparency International Corruption Perceptions Index 2014 ranks Nigeria at 136/175. Unemployment stands at 24%, with 38% of the unemployed under 24 years old. Lagos, its business capital, is the second fastest growing city in Africa, with poor air quality and water provision. There is desertification in the north, oil spills and gas flaring in the Niger Delta and intermittent supply of power, with high use of private diesel generators.

Security threats and terrorism have been highlighted by the Boko Haram insurgency, in which 13,000 were killed, with a million persons displaced and over 2,000 girls and women kidnapped, including the 219 Chibok school girls abducted in April 2014.

Trends

Sustainable enterprise is still in its infancy in Nigeria. The Millennium Development Goals are a key part of the economic development of Nigeria, particularly improving maternal health and ensuring environmental sustainability, although it is not clear just how effective the environmental improvement has been (Abdullahi and Ugbede, 2013).

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Businesses have embraced CSR and this is now morphing into an acceptance of sustainability, although the Sustainable Banking Principles (see below) have stalled (CSR-in-Action, 2013; Uadiale and Fagbemi, 2012). More such policies are needed, so there is huge potential for sustainable enterprises. Key focus areas are health and education (particularly youth/ job seekers and entrepreneurial skills), as well as in community investment and local participation, the environment and anti-corruption (accountability and transparency).

Given the number of organizations grappling with Nigeria's issues, it is only a matter of time before sustainable enterprises will become a key aspect of its economy. Nigerians are positive (Global Happiness – ranked for positive emotions 41/143) and full of initiative; as they say in Naira, the widely used pidgin, you have to be aware or street smart: "shine your eye".

Government policies

The close-run and fair elections in March 2015 were hugely significant. The incoming president has said that corruption and the insurgency in the north-east are priorities. The previous administration was getting tougher on oil spills with perpetrators facing criminal charges; there is no reason to assume that this will stop.

The financial sector is waking up to its future. The Central Bank of Nigeria issued the Nigeria Sustainable Banking Principles in September 2012, stating that "the adoption of these principles will no doubt enhance the adopting institutions' financial success over the longer term while ensuring that they remain environmentally and socially responsible" (Central Bank of Nigeria, 2012). This sector realizes that, if it is to have a credible business at the heart of Africa's powerhouse, then it needs to have sustainable enterprise principles at its own heart.

The UNDP, as a partner of the federal government and other agencies, is without question a major force in Nigeria with its Millennium Development Goals focus. Its most recent project is on renewable energy, particularly solar and other initiatives, including the National Clean Cooking Scheme. It also covers the Rural Women

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Energy Security project, where women's health benefits are a key focus, and the Niger Delta Biodiversity Project, which has brought local communities, extractive companies and the government to work together in this highly polluted region.

Case studies

Diamond Bank

Known for its community development, the Diamond Bank has the kind of "commercially astute and ethically sound" credentials that many international banks could do well to copy, including a new governance- and CSR-focused chairman, a dedicated whistle-blowing ethics line and a strategy that includes the ISO 26000 in its compass.

The bank's Corporate Sustainability and Responsibility Framework has three focus areas:

1. **Capacity development**, which covers their BETA Savings account, designed for the under-banked, and their Building Entrepreneurs Today (BET) scheme, aimed at directly supporting fledgling businesses
2. **Women's wealth and well being**, with specific Diamond Woman web pages tailored to empower their female clients
3. **Young adult development**, such as funding the comprehensive IT Resource Centre at the Niger Delta University, which is designed to foster well being and positive behaviour as well as to create employment opportunities for disadvantaged youths

MTN Nigeria

Their website currently opens with #AfricaAgainstEbola so you are immediately clicking into the world of the MTN Foundation, a foundation which aims "to improve the quality of life in the areas of Health, Education and Economic Empowerment on a sustainable basis". In its annual report for 2013 – which is third-party verified – its health activities are listed as: Community Health Screening Project Phase 3; Orphanage Support Initiative; Medical Support Project – Haemodialysis; and Medical Support Project – Mammography Consolidation

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Phase. To date, they have worked at over 338 project sites with 36 project categories throughout Nigeria. MTN is also one of the businesses that supports the Nigerian Council for Sustainable Development.

Nigerian Bottling Company Ltd

This member of Coca-Cola Hellenic Group has placed water stewardship, energy use and packaging high on its "Towards Sustainability" agenda, but its social engagement is also worthy of mention.

Bottle to fibre recycling is a system that was set up with Alkem Nigeria Limited to buy back, collect and then recycle post-consumer PET waste from across the country, regardless of brand or source, and turn this into Polyester Staple Fibre. The fibre is then used to support local industries making textiles, mattresses, pillows, sofas, roofing sheets and insulation for building, and the whole process not only reduces litter but employs around 1,500 people.

Other good projects are in the area of youth development, such as the Lady Mechanic Initiative, which sponsors young Nigerian women to train, intern and work as career automobile mechanics over a three-year period, and the Define My Tomorrow Project, which offers careers advice for senior secondary school students.

Nigerian Breweries plc

"Winning with Nigeria" is a slogan which placed CSR at the heart of Nigerian Breweries, the first and largest brewer in Nigeria. The slogan proved prophetic when the company took four trophies at the Nigeria CSR Awards run by SERA in 2014, including the accolade as Most Socially Responsible company. In itself, this would not be unusual for a company linked to Heineken, but it is the breadth of its socially responsible activities that impresses, starting with an Education Trust Fund back in 1994, and moving into environmental action (see their Sustainability Report 2013), youth empowerment, talent development and sports, both in straight sponsoring, and to develop and enable Nigerian sportsmen and women to compete at high levels.

Oando

The Oando Foundation has been set up to "empower communities through

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capacity building and sustainable development across the country". The focus areas are education and special projects that centre on the youth – such as in sports and dance training – and widows, orphans and vulnerable groups. It provides infrastructure development outside host communities and disaster relief. The Foundation also supports staff volunteering under its Inspired Hands programme in such areas as teaching assistance, fundraising, mentorship and IT and the creative arts. It is a measure of how the company is perceived that it was awarded Best Company in Design for Sustainability by SERA in 2014.

Further resources

SERA (Social Enterprise Report and Awards) – In 2014, the theme for these CSR awards was Culture for Sustainability, and winners included the Access Bank (Sustainability Report) and Promasidor (voted best company for CSR online).

Lagos Business School – Although the university system is generally regarded as outdated, this school is up to the mark. Its First Bank Sustainability Centre recently ran a workshop for NGOs and companies on sustainability, and its Director, Dr Chris Ogbechie, is Chairman of the Diamond Bank. Their website also references a number of useful articles on CSR.

Youth For Technology – Started in the Niger Delta in 2001, its Project 3E is a triple-bottom-line entrepreneurship training programme for youth and its Nigerian Women Entrepreneurs and Mobile Value Added Service programme has trained over 2000 women to expand their businesses.

The Institute of Directors Nigeria – The IoD's current key focus is on corporate governance training for company directors (which will help against corruption) and its sister organization, the IoD in London, has a strong sustainability agenda which is certain to colour their thinking.

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CHAPTER

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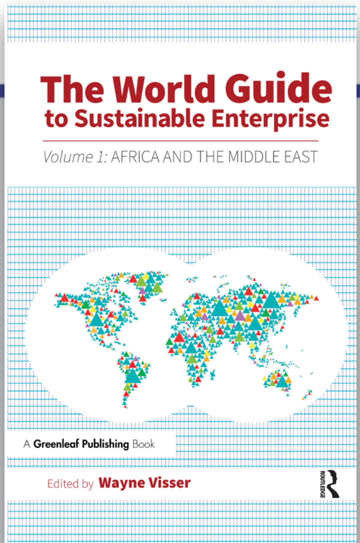

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National context

As a result of liberalization and privatization since the early 1990s, Egypt has experienced a rapid growth in per capita GDP, reaching around $3,250 and making it a lower middle-income nation (World Bank, 2014). However, these improvements are still not reflected in the environmental and social domains. Egypt's social indicators lag far behind its counterparts in the developing African and MENA regions or in comparison with countries of similar income levels (World Bank, 2001).

The political environment cannot be divorced from the degraded social environment. Before 2011, the state failed to adequately address the most pressing societal challenges – including poverty, poor healthcare, illiteracy, inflation, unemployment, social disparities in wealth distribution, violation of labour rights, low wages and corruption – thus triggering the social uprising of 2011. The revolution is one of the most significant junctures in the growth of the sustainability movement in Egypt. It has been viewed as a legitimate alternate philosophy required for addressing government failures and inefficiencies.

Besides this recent historical catalyst, sustainable practices have a rich history, deeply rooted in the Egyptian culture and grounded in faithbased practices (Egypt's population is represented as 90% Islamic and 6% Christian) (UNDP, 2010).

Priority issues

Income disparity and poverty are significant concerns for the country (25% according to 2011 Gini coefficient), exacerbated by high inflation rates (around 12%), corruption and plundering by the pre-revolution regime and private sector. Egypt is ranked 114 out of 117 countries according to the 2013 TI corruption perception index.

A related concern is social polarization, with its roots in an Egyptian government that traditionally operated in isolation from society and discouraged dialogue between social actors. The state failed to recognize the legitimacy of various segments of society, weakened the power of labour and violated labour and human rights. This in turn led to a concentration of power and opportunity in the hands of

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a government and business elite, who have benefited at the expense of society.

Such a climate fostered corruption that has been institutionalized in the country and made worse by the inefficiency of government systems that are meant to provide checks and balances. In addition, the enforcement of laws and regulations on transparency and information disclosure is ineffective or lacking.

Egypt's rapid population growth has put pressure on food security, land and water resources. Accordingly, Egypt is classified as a water scarce country, as it has less than 1,000 m^3 of fresh water per year per capita. This has resulted in almost a third of the country's children being malnourished, according to the 2008 Egyptian Demographic Health Survey. In addition, there is a general lack of awareness about the environmental impacts of business operations.

Trends

Although sustainability is still a buzzword in Egypt, deteriorating government performance is creating demand for businesses to fill the void on socio economic and environmental development. In the cultural and religious sphere, directing *zakat* contributions (obligatory Islamic charitable giving to the needy) towards sustainable causes is being promoted and many NGOs are going beyond the simple donations model of philanthropy. For example, the "Adopt a poor village" initiative has been introduced by the biggest charitable association in Egypt (Orman Charity) and aims to sustain the poor villages through human development programmes.

Despite this new orientation, the bulk of enterprises in Egypt lack the capacity, awareness, technology, support and incentives to engage in sustainable development. According to the European Commission 2012 survey on sustainable enterprise development in the Mediterranean partner countries, enterprises do not have the resources to comply with the codes that require them to minimize and eliminate their negative impact on society. Government mechanisms to support sustainable practices are ad hoc and outreach is confined to a limited number of large and multinational enterprises.

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Government policies

The environmental regulatory framework seeks to encourage waste recycling and scientific management techniques to preserve scarce natural resources. One example is the Eco-labelling Initiative, in which the government offers tax incentives to companies who adopt ISO 14000 to decrease their harmful impact on the environment. Another is the sustainable strategy for agro-foods sector in Egypt, developed the UNDP and the Egyptian Corporate Social Responsibility Centre (ECRC).

In order to enhance and protect biodiversity and ecosystems, the Egyptian Green Building Council was launched in 2009. The council provides a mechanism for business, builders, engineers and contractors to implement environmental conservation and energy efficiency building codes.

In 2006, the government launched the Egyptian Education Initiative that promotes e-learning and provides people with ICT skills. The programme is part of the Global Education Initiative and is considered an innovative way of engaging business in education improvement.

There are also voluntary initiatives active in Egypt, such as the UN Global Compact, which currently has 86 Egyptian companies as signatories. However, these initiatives are confined to very few social players because the public policies and legal infrastructure, with its bureaucracy and strict accounting procedures, stifle social sector involvement, creating a burdensome and restrictive environment.

Case studies

Wild Guanabana

Wild Guanabana is a small local company that was started by an innovative entrepreneur (Omar Samra) and positioned as a leading advocate of sustainable and ethical travel in the MENA region. Sustainability is at the heart of the company's operations. For example, the company designs its trips to have a low carbon impact, and emissions from their operating flights are offset through an energy-efficient stoves project in Kenya. The company has been recognized as the

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first carbon-neutral travel company in the Middle East and North Africa.

To ensure community reinvestment they use eco-friendly hotels that are run by the local community. They offer above market salaries to the local tour guides and provide them with training opportunities to assist with their career advancement. Customers are made aware of the company's sustainability practices through social media and encouraged to sign up to a volunteerism programme, in which travellers do volunteer work at their travel destinations. In recognition of their sustainability leadership in the region, the company received the World Travel Market Global Award in 2011.

Kasr El Salam

Kasr El Salam is a local family-owned construction business, based in Alexandria, which actively supports sustainable self-reliance among poor communities. As signatories of the UN Global Compact, the company strives to combat child labour, improve labour standards and address basic living and healthcare conditions in rural areas, in addition to the diffusion of environmental friendly technologies in their areas of operations. Training courses targeting the youth in poor villages are provided to develop skills and capacity in the construction industry, while empowering local communities.

Kasr El Salam requires their suppliers to provide a signed form signalling their commitment to environmentally and socioe conomically friendly practices, including that they integrate human rights standards, fight child labour and refrain from engaging in any form of corruption. To educate its stakeholders and peers in the construction industry about sustainable building, the company organizes workshops to encourage the diffusion of environmentally friendly technologies of the "green buildings" that it promotes.

Sweety Heaven

Sweety Heaven was created by a young entrepreneur, Sarah Galal, who was inspired to launch an online incentive website for children, in order to help shape new, positive values for generations to come. The business tackles prevailing feelings of economic disempowerment among the youth due to income disparity and perceived social unfairness by encouraging and educating individuals to work to achieve their goals.

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Sweety Heaven achieves this by motivating children to be more productive and rewarding them for their progress through online “treats”. The web-based platform lets children chose a reward and work towards achieving it by doing tasks that their parents set for them. The child has virtual currency, which he/she collects after each mission. As a result, young people are developing confidence and a healthy work effort, which improve their chances of future career success.

SEKEM

SEKEM is a social business whose founder, Ibrahim Abouleish, received the “Right Livelihood Award” that sometimes is referred to as the “Alternative Nobel Prize” for creating an organic and biodynamic agriculture production system that utilizes water and energy resources efficiently. SEKEM is the umbrella for a multifaceted agro-industrial group of NGOs. These include the SEKEM Cultural Institutions, Heliopolis University for Sustainable Development, SEKEM Medical Centre, SEKEM Educational Centre, and the Egyptian Biodynamic Association.

The impact of SEKEM’s sustainable practices is profound. By applying the biodynamic agriculture methods, a total of 1,628 feddans desert land was revitalized for “Organic and Demeter agricultural production”. SEKEM disseminated this new technology through participating in 14 international and national scientific projects.

One of their achievements in mitigating climate change was the reduction of 1,884 tons of direct CO2 emissions (30% better performance than relative CO2 emissions). To reduce the water footprint, the company introduced a water management system that reuses most of the waste-water to irrigate non-food trees. The new policy reduced over 44% of water for company use.

SEKEM’s impact in the community is noteworthy. Since its launch in 1998, a total of 659 students graduated from SEKEM’s Vocational Training Centre and 1,514 students graduated from the SEKEM special education programme and community schools, allowing them to get out of the conditions of child labour. In addition, 356 students are enrolled in Heliopolis University studying sustainable engineering, sustainable pharmacy, or sustainable business and economics, 20% of which were offered scholarships for their studies. In addition, to mitigate poverty, SEKEM offered 105 microcredits to enable families to start small businesses.

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Further resources

Arab African International Bank (AAIB) – An independent foundation with the goal of achieving sustainable development through improving health and educational standards in Egypt. It has a motto: "We owe it to Egypt".

Egyptian Corporate Responsibility Centre (ECRC) – The focal point for the local network of the UN Global Compact. It offers a wide variety of services that support the members to implement and adopt sustainable practices within the framework of the Global Compact.

Egyptian Junior Business Association (EJB) – Promotes sustainable business environments among entrepreneurs and has more than 600 members from different sectors.

Misr El-Kheir Foundation (MEK) – A charity that works with local civil society to deliver initiatives that support, catalyse and tackle human development issues in the poor regions in Egypt.