



# Overcoming the Barriers to Inclusive Business Growth

Output report from December 7, 2010 workshop

London, United Kingdom

On 7 December 2010, the Business Call to Action (BCtA) and the International Business Leaders Forum (IBLF) brought together more than 35 inclusive business practitioners in London for a half-day workshop focused on the challenges of integrating inclusive business initiatives into core business functions. The workshop, which was hosted by Barclays, drew on research conducted by IBLF and Accenture Development Partnerships (ADP) which outlined barriers faced during both the conception and execution of new business models. Through interactive activities, discussion and break-out sessions, participants expanded on the research findings, prioritized the top three challenges, and identified potential solutions that could be driven by business and other organizations. In an expert panel chaired by Standard Chartered, participants also learnt from BCtA member companies The Coca-Cola Company, Pfizer and Vodafone about how they had overcome their own challenges to develop successful inclusive business models. This document records the workshop's discussion and outcomes.

## Basic Research Findings

In late 2009, IBLF with support from Accenture Development Partnerships interviewed 15 multinational firms about the challenges they faced in developing and implementing pro-poor business models. This research organized these challenges around the conception and execution stages of establishing a new initiative.



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## **Building on the Research Findings**

After a presentation on the research findings, participants were asked to identify any further challenges at conception and execution as well as any other challenges not captured in the framework. Key challenges that emerged through this exercise were as follows:

### *a. Additional Barriers at Conception*

*Innovation:* Organizations need to create a culture that nurtures bottom-up innovation, including risk-taking and scope for failure. There were questions around “how to destroy in order to recreate better and different” and “prevent the business immune system from killing innovation”. There needs to be an increased focus on how to innovate existing commercial models.

*Scale:* Inclusive business models need sufficient scale to interest a multinational firm. However, it can be hard to identify options that have sufficient scale to take to trial, and because of risk-averseness there are few chances to try.

*Organizational buy-in:* There is a tension between shareholder requirements for maximum returns in the short term versus long-term value creation with modest returns. There may also be vested interests in existing arrangements.

*Learning:* In addition to needing greater access to external information and opportunities for learning, companies expressed interest in “going beyond the Anglo-Saxon model of inclusive business” and learning from corporate experience in developing markets.

*Partnership:* Partnerships should not be entered into for the sake of it. Companies can look at other partners beyond NGOs. And partners face their own barriers which the company needs to take into account.

### *b. Additional Barriers at Execution*

*Engagement with partners:* Need to have continued engagement with local stakeholders and donors, listen and learn from local partners throughout conception and execution, and manage expectations of different partners.

*Organizational buy-in:* Internal business units are critical to embedding the inclusive business initiative. It's important to get buy-in at all levels from the CEO to operational levels, to secure support year on year. Language can also be a barrier as 'inclusive' can mean different things for different stakeholders.

*Innovation:* There can be a tendency to apply existing models rather than innovating to meet customer needs. Instead, companies could take an in-country, bottom-up approach looking at what needs have commercial potential. There should be flexibility to change course, learn from experience, and develop a more robust initiative through ‘failure’. There is a need to change prevailing mindsets and move to a point where every new employee joining a company seeks out new business models that are inclusive and not just profitable.

*Scale:* Big companies sometime struggle to think/act small. It is also not clear why some models successfully go to scale and others do not.

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*Management:* How to transition effectively from conception to execution?

c. *Other Challenges Not Captured in the Framework*

*Finance:* The lack of financial infrastructure in country can be a barrier as this is needed to grow a model to scale. There is a 'missing middle' of financing requirements that sit between microfinance and commercial finance. This is relevant to companies' inclusive business initiatives both in terms of reaching consumers and building the capacity of suppliers.

**Prioritizing the Challenges**

Participants were asked of all the challenges now identified, which were the three most important that they had encountered. The results of this analysis were tallied, with similar issues grouped together where relevant. The top three challenges arising from this exercise were:

- a. Innovation: How can an organization recognize, harness and capitalize on innovation (including being okay with failure)?
- b. Scale: How to choose and/or create an inclusive business model with sufficient scale?
- c. Buy-in: How to get and sustain buy-in at senior and operational levels, and between corporate responsibility and other business units and other stakeholders?

**Panel Session: Learning from Company Experience**

The Coca-Cola Company, Pfizer and Vodafone shared their own experiences in developing and implementing inclusive business models including those as part of the BCtA. Some of the key insights arising from the panel discussion included:

- Business to business partnerships can help companies reach scale. For example, health, banking and consumer goods companies can work together on finance issues. Looking to existing partners can help, for example Pfizer was a corporate customer of Vodafone which gave them a greater impetus to collaborate on the SMS for Health initiative.
- Organizational buy-in is important but sometimes this can lead to death by committee where innovation is stifled. Instead, it can be better to keep initiatives under the radar and test things out without seeking senior approval so that the concept can be proven before trying to secure broader support.
- External support can catalyze change. For example, UK Department for International Development (DFID) provided Vodafone with not just funding, but legitimacy for the M-PESA idea. Vodafone now has its own internal challenge fund to support innovative ideas and has established dedicated business units to help capitalize on opportunities for inclusive business such as mobile payments in health.
- How can external actors proactively elicit ideas from companies, and what is their role as broker? Companies can be inundated by potential brokers, so it is important to build trust. There is a strong role for business networks in spreading the message, for example on the potential for information and communication technology in development.

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- It is important to be clear on what results to measure and how. Demonstrating impact helps show a pilot's legitimacy and secure support to take it to scale. Metrics should be linked to business results as showing the commercial gains helps get buy-in. Development agencies can help monitor development results.

### **Responding to the Challenges**

Participants separated into three breakout groups representing each of the top three challenges previously identified. They explored what actions companies and external organizations can take to respond to the challenges. A fourth group was tasked with looking at how companies can tap into the collective experience of other firms and share knowledge on inclusive business.

#### **Challenge 1: How can an organization recognize, harness and capitalize on innovation (including being okay with failure)?**

Companies can:

- Give innovation groups new lenses to look at issues through such as corporate responsibility. For example, ask what can be done for customers who earn \$1/day? Use this to drag smallholder sourcing 'upstream'.
- Encourage an 'insight itch' where people are motivated to ask questions and innovate. This needs to be supported by research (which may be a role for external organizations), particularly to help companies understand what it is that you're trying to fix.
- Innovation is dependent on people and ideas (particularly from those 'on the ground') so companies need to create space for conversation. They should ensure the right people are involved – this can relate to formal leadership roles as well as the right personalities.
- Reshape and repackages what has already been done eg product innovation.
- Not be afraid to copy and learn from other companies.

External agencies can:

- Cross-fertilize ideas so that companies can learn from each other; help stimulate and share best practice. Organizations such as BCtA and IBLF can help here by providing platforms for collaboration.
- NGOs can advocate for inclusive business initiatives which gives legitimacy for businesses to be in this space. They can also be involved as a partner.
- Show leaders the opportunity; for example IBLF's Crossing Borders programme took senior business leaders out to development projects. This served both to inform them of the business opportunities as well as to ignite their passion to make a difference.
- Brokering organizations can challenge companies to look for opportunities across their business. They can bring stakeholders together to share knowledge and find a common focus eg develop cross-functional/country solutions.

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### Challenge 2: How to choose and/or create an inclusive business model with sufficient scale?

Companies can:

- Find the right people to play a brokering role and convene the right partners, government agencies and companies.

External agencies can:

- Share detailed case studies of what's worked to create a 'crowding in' effect where other businesses adopt inclusive business practice. Case studies should draw on commercial data where possible—companies need to be more willing to share the financial and commercial results.
- Work with large companies that already have a platform.
- Donors and other supporters need to be more patient—it can take time to demonstrate results.

### Challenge 3: How to get and sustain buy-in at senior and operational levels, and between the corporate responsibility unit and other business units and stakeholders?

Companies can:

- Engage senior leaders by knowing the key people to target and how to most effectively communicate to them (eg by understanding their needs/goals).
- Focus on the business case and use this as a tool to communicate and influence.
- Use internal communication tools (eg newsletters, intranet) to showcase successes and advocate internally.
- Find out local needs by engaging with local staff and stakeholders.
- Link inclusive business objectives to individual performance targets as a way to incentivize certain behavior.
- Monitor results from the start, so that achievements can be tracked and reported.

External agencies can:

- Help influence senior leadership by advocating and communicating the potential opportunity for inclusive business.
- Use successes as case studies, not only to communicate with other businesses but also to build support within that company itself. This third party communication can add significant legitimacy to the initiative and add value **to the company**.

### Challenge 4: How can companies share knowledge and information in a way that is useful?

Companies can:

- Use existing platforms like the BCTA as well as identifying/cultivating new platforms.
- Look at staff secondments (eg secondments between Barclays and its NGO partners helped build shared understanding).
- Work with media partners
- Develop case studies that are detailed, credible, honest evaluations not just public relations exercises.
- Use new media such as videos. Blogs are not necessarily realistic or useful.
- Recognize that it is people who connect, not companies. Identify individual contacts and develop select networks.

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External agencies can:

- Facilitate discussions both within and between sectors as there are common challenges and opportunities
- Engage business schools to develop practical, industry-relevant information and build the next generation of business leaders.

### **Wrap up and next steps**

The BCtA and IBLF will feed the outcomes of the workshop into upcoming workshops to be held globally during 2011. The findings will also be used in the development of new tools, guides and other knowledge products. Participants will be able to engage in other discussions and events over the coming year as part of the BCtA Community of Practice.

*For more information about this report, please contact the BCtA Secretariat:*

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*For the latest information about workshops and practitioner events, please check back to BCtA website:*

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