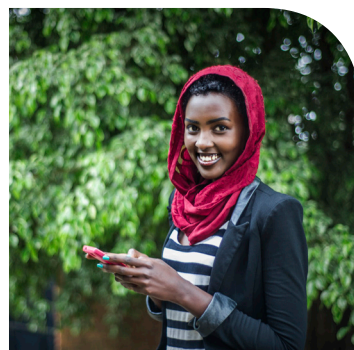


# THE JOURNEY OF MULTINATIONAL CORPORATIONS TO INCLUSIVE BUSINESS

A white paper by

**HYSTRA**  
hybrid strategies consulting



MARCH 2019



This report has been prepared with the support of the UK Department for International Development through the Business Innovation Facility.

### Cover pictures credits (*clockwise from right*)

1. Kasha is an e-commerce company for women's health and personal care built for urban and rural consumers in emerging markets. Kasha was supported by TRANSFORM, which is a partnership between Unilever and DFID to support innovative social enterprises in developing countries. Credit: Unilever
2. Sistema Biobolsa designs, produces and distributes micro-biodigesters, cooking systems and biogas-powered generators for smallholder farmers. This project is one of the investments of Rassembleurs d'Energies, Engie impact fund. Credit: Rassembleurs d'Energies
3. A fisherman is folding his fishing nets in the light of an Awango (Total) solar lamp in Myanmar. Credit: Total (Roussel Marc)

## About Hystra

Hystra is a global consulting firm that works with business and social sector pioneers to design and implement inclusive business approaches that are profitable, scalable and eradicate social and environmental problems. In order to “be the change we want to see in the world”, Hystra itself is a hybrid consulting firm – a for-profit tool for social change. Since its creation in 2009, Hystra has conducted in-depth sectorial studies on clean energy, safe water, sanitation, affordable housing, nutrition and ICT-based business models for development, supported close to 20 multinationals in setting up or improving inclusive business models, analyzed winning sales and marketing strategies in micro-distribution, prepared business plans for pioneering inclusive businesses and supported several social impact funds. In ten years, Hystra has worked in over 20 countries serving about 60 clients, including large corporations, international aid agencies, foundations, and governments, to support business models that change the lives of low-income communities across the globe.

For more information on Hystra and our publications, visit [www.hystra.com](http://www.hystra.com)

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One of 14Trees customers buying the green affordable brick Durabric. 14Trees is a joint venture between LafargeHolcim and CDC.

Credit: LafargeHolcim

# EXECUTIVE SUMMARY

Over the last decade, many multinational corporations have attempted to set up inclusive businesses, yet few have managed to reach scale.

Conversations that Hystra has had over the past 9 years with intrapreneurs leading these efforts at close to 20 multinational companies show that, across a variety of sectors and geographies, the challenges they have faced are very similar.

This report attempts to draw lessons from this first wave of efforts, with a particular focus on the internal factors that affected the outcome and progress of these initiatives.

Our analysis finds that there are six key steps that corporations must take in order to maximize their chances of creating inclusive businesses that have a sustainable and scalable impact:

**1. Clarify the objectives and level of ambition:** Building a “platform of benefits” for the project (business, brand equity, HR, innovation) helps find arguments to convince diverse key stakeholders of the project’s success. The farther from the core business the project is, the greater the platform of benefits must be. Being aware of each individual’s level of ambition for the project is key to avoid disappointing expectations.

**2. Learn from others and find your unique strategic fit:** The most successful corporate inclusive businesses started by learning from the ground (immersing themselves both in their target beneficiaries’ lives and in existing projects from other organizations) rather than inward (looking for technical solutions that their R&D teams could produce). They then thought strategically about the additionality of their own assets to the specific needs and existing solutions they had seen work.

**3. Give the intrapreneur role to internal, credible, risk-taking leaders:** Disruptive initiatives inevitably face internal resistance and must be championed by internally well-connected and recognized individuals able to take risks (including in their personal life), capable of reassuring core business executives on the economic soundness of their model, and of gathering supporters across the organization.

**4. Make the pilot a success, both on the ground and at headquarters:** On the ground, this requires placing the pilot in the hands of willing local teams, working (only if necessary) with partners aligned on project vision and ambition, launching it at the right time, securing and measuring early positive results. At headquarters, this means getting headquarters and country teams buy-in

on initial business plans, building a governance inclusive of all required stakeholders to the project success, and securing early support from more than one high-level supporter.

**5. Create solid ties in the organization:** To make inclusive business hard to cut off, it is key to nurture a sense of pride and ownership among employees (through communication, internal volunteering programs, or employee’s investments) and shareholders. Designing an appropriate host structure, possibly open to external funding, allows to work with “inclusive business-specific” KPIs and to bypass some possibly counter-productive corporate processes. Finally, de-risking mechanisms for various business units to create their own replication of the inclusive business model can help swarm the concept in multiple countries.

**6. Mainstream inclusive business in the organization:** Going one step further, company-wide changes might be required to truly mainstream inclusive businesses: adapting the company’s KPIs to give inclusive businesses sufficient time to incubate and thrive, allowing their champion(s) to stay and grow with the project and designing the appropriate mix of financial and non-financial incentives.

It is our hope that these learnings can help other multinational and regional companies start their own journey into inclusive business; and allow those that have started growing their inclusive businesses, to scale them up and possibly transform their entire organizations beyond their early success.

# INTRODUCTION

Over the last decade, many multinational corporations have attempted to set up inclusive businesses of one kind or another, with varying success in establishing sustainable ventures that engage key company stakeholders. These first attempts have started to lay the path for a radically different set of engagements for the corporate world – one that creates sustainable and efficient business opportunities; while simultaneously bringing reputational benefits, engaging new and existing talent in the company, and more broadly, improving the world within which they operate. However, despite good intentions and significant resources invested, few of these pilots have been successful and an even smaller proportion has reached significant scale or been replicated internationally.

Conversations with the intrapreneurs who have been leading these efforts show that, across a variety of sectors and geographies, the challenges they have faced are very similar. Many said that learning about those challenges from others would probably have helped them avoid a few mistakes.

It is hence timely to attempt to draw lessons from this first wave of efforts in a way that could help others learn and replicate their path, with fewer hurdles. In particular, the critical internal factors that explain how and why these projects took root in their organization remain largely undocumented.

At Hystra, we have worked closely over the past 9 years with close to 20 multinationals, including several that have successfully launched sizeable inclusive businesses:

- We helped Total design the strategy and launch its Total Access To Energy Solutions initiative (TATES), selling solar products through Total gas stations
- We supported Engie (at the time GDF Suez) in designing their Rassembleurs d'Energies Investment Fund, and building their initial pipeline
- We worked with LafargeHolcim (at the time Lafarge) on the design of their Affordable Housing initiative
- We helped various business units at Danone craft or improve inclusive business projects, draw lessons from their inclusive business portfolio, or review investment processes and criteria for their Danone Ecosystem Fund; and exchanged regularly with their Danone Communities Fund
- We worked for 4 consecutive years on different projects with Unilever; from the strategy and launch of the Toilet Board Coalition, to extensive work on their Water Strategy across business units, to rethinking the governance of their Sustainable Sourcing strategy
- Other corporate clients have included ADEO, AXA, Firmenich, Lixil, LVMH, Nestlé, Schneider Electric and Swiss Re. We have also worked indirectly with several other global food companies
- In addition to working with corporates as clients, we have conducted case studies on inclusive business units set up by corporates such as Tetrapak, Suez Environnement, Manila Water or Cemex
- Finally, we have on-going discussions with the top management of firms who have not yet started inclusive business initiatives.

In the course of these experiences, we have gathered insights on the difficulties companies face at different stages in their inclusive business journey, which can cause them to stall or slow down their progress; and on the critical factors that enable them to be overcome.

This paper is a first attempt at codifying these insights, hoping this will contribute to more multinational and regional companies starting their own journey into inclusive business; and to allowing those that have started growing their inclusive businesses, to scale them up and possibly transform their entire organizations.<sup>1</sup>

We have grouped them into six steps:

1. Clarify the objectives and level of ambition
2. Learn from others and find your unique strategic fit
3. Give the intrapreneur role to internal, credible, risk-taking leaders
4. Make the pilot a success, both on the ground and at headquarters
5. Create solid ties in the organization
6. Mainstream inclusive business in the organizations

**Caveat:** *these analyses are based on Hystra's experience working with about 20 multinational corporations in setting up their inclusive businesses, or studying other similar initiatives. Our conclusions are thus inherently limited to the sample – albeit extensive – that we have been able to analyze, and biased by our own experience. They are by no means exhaustive, and we would welcome any further insights on how other individuals and companies might have overcome similar challenges in other parts of the globe. Please do not hesitate to write to us at [lkarsfeld@hystra.com](mailto:lkarsfeld@hystra.com) (Lucie Klarsfeld McGrath) or [okayser@hystra.com](mailto:okayser@hystra.com) (Olivier Kayser) if you have experiences to share!*

<sup>1</sup> Quotes come from interviews conducted in September 2018, and past Hystra interviews for previous pieces of work, some of which are part of the book « Scaling up business solutions to social problems », Olivier Kayser and Valeria Budinich, 2013.





A shop keeper, Gilberte Nanema, is selling Awango (Total) solar lamps in Kossodo, one of the neighborhoods of Ouagadougou.

Credit: Ordoillet Patrick - Total



# I. CLARIFY THE OBJECTIVES AND LEVEL OF AMBITION

## I.1 BUILD A “PLATFORM OF BENEFITS”

Companies rarely embark “as a whole” on inclusive business. Projects either start at the top, with a visionary CEO; or lower in the organization, with a committed intrapreneur. Either way, it starts with individuals.

In order to increase their chance of success, these intrapreneurs need to embark others on their journey. This requires understanding what inclusive business means for each of those other individuals: 1) what benefits and risks they see, and 2) what their personal level of ambition is.

Different people within the same company will expect different benefits from the same inclusive business initiative. Recognizing this diversity of interests – and the fact that their relative weight may change over time - leads intrapreneurs to constitute and articulate a “benefits platform” that will speak to their different audiences.

These benefits can be regrouped into four buckets:

- **BUSINESS GROWTH AND SUSTAINABILITY:**
  - **Additional revenues:**
    - from new products or services independent of existing ones, in existing countries of operations, such as solar lights in Total Access to Energy Solutions<sup>2</sup> (TATES) program;
    - from entering new markets such as the Shokti Doy yogurt of Danone Communities in Bangladesh, where Danone had no previous operations (though the main objective of the project was rather testing new models, as developed below)
  - **Lower costs:** from sourcing directly from smallholder farmers, in the case of the Margarita project of the Danone Ecosystem fund, supporting farmers in Mexico
  - **Improved margins:** from offering new paying services on top of products, e.g. Patrimonio Hoy, a Cemex program selling a complete housing solution including architect advice, delivery on demand and payment plan instead of just selling cement; or Codensa, the electric utility in Bogota, offering credit for appliances in addition to selling pure electricity in its Credito Facil program
- **BRAND EQUITY (EXTERNAL IMAGE BENEFITS):** increasing the brand equity of the company for being seen as “doing good”
- **HUMAN RESOURCE BENEFITS:** talent recruitment and retention by answering people’s aspirations to do more than just a traditional job. As Emmanuel Faber explains: “When Danoners realize what is at stake in the solutions they propose and when we let them align themselves to what emerges from their personal conscience, we obtain levels of energy and commitment that cannot be compared to what you get from obtaining 0.1 point of trade margin from Carrefour!”
- **(REVERSE) INNOVATION:** innovating under constraints for lower-income clients can help find new ways of doing business. Grameen Danone and later other investments by Danone Communities have aimed at testing new forms of business models allowing to sustain social impact via viable business operations. Danone Communities has codified the learnings from its microdistribution models (Grameen

2. The program has changed name several time since inception. In its strategy phase it was called « Solar PV for the BoP », later it took the name of the project brand Awango, then it became Total Access to Solar (TATS), Total Access to Energy (TATE), and in August 2018 Total Access to Energy Solutions (TATES).

Danone in Bangladesh or PoussPouss in Senegal) or key success factors in targeting the BoP with nutritious products, that have been reused by other business units, notably in Africa.

The extent to which stakeholders will perceive each of these buckets as opportunities will vary, and largely depend on their perception of the accompanying risk. In fact, some stakeholders may worry that inclusive businesses risk diluting company margins rather than boost them, while others will fear that the company's reputation could suffer rather than benefit from inclusive business initiatives, as we will see in the example below.

The level of ambition will typically also vary widely, from accepting the idea of a pilot to wanting to transform the organization, as illustrated on the graph below. Recognizing and accepting those different levels of ambitions can help avoid misunderstanding and disappointment from key project stakeholders and supporters.

While some departments will by definition be interested in some benefits more than others (the Human Resources department on the impact on recruiting and retaining talent, the Communication department on the image of the company), high level executives might typically go for one argument over the other depending on their personal values and interests. Being able to map where an individual stands on those two axes (perception of benefits/risks, and ambition) is crucial to find the right arguments to convince them to back a pilot – and if needed to help them move up the “ambition” ladder over time, and scale up their support to the project.

Let's consider the beginning of Total program, which has now sold over 2.7 million solar lights through Total gas station and distribution partners and played a key role in structuring the solar lantern industry. When Emmanuel Léger, a “high potential” project manager at Total, joined an emerging TATES in 2010, the team had to look for support and ensure that different levels of ambition for the project were aligned to avoid disappointing anyone.

Hence, even before launching the pilot, Emmanuel and the team spent over a year discussing with various stakeholders, who all reacted differently. The Communication department considered the project as a risk (the company might be seen as taking advantage of the poor by selling them products). The HR department saw it as an opportunity to create a sense of pride among the group's employees. Lastly, the “Marketing and Service” department, key to the project as they were the ones who could motivate gas station managers to take on the products, dismissed it as irrelevant to the core business.

Emmanuel's team hence looked for ways to get the three units on board. They agreed with the Communication department that the project would not communicate externally before having proven some success. They promised the HR department that they would however heavily invest in internal communication. And lastly, they created solid business plans to demonstrate the business opportunity to the “Marketing and Service” department. They also managed to get access to the then-CEO Christophe de Margerie, and pitched their project. They realized that de Margerie saw this project as a possible contribution to his ambition of transforming the company, and that his vision could be leveraged to the project's advantage. All these stakeholders proved to become valuable supporters as the program evolved because their expectations and levels of ambitions for the project had been understood and taken into account. Their “objective and ambition journey” is represented on the graph below.



Figure 1 Mapping the perceived benefits and level of ambition of different stakeholders

Level of Ambition for Inclusive Business	Perceived Benefits / Motivation			
	Business	Brand Equity	HR Talent	Innovation
Transform the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scale up a project or program – inside core business/new business opportunities	<input checked="" type="checkbox"/> M&S and CEO ultimately	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scale up a program of different projects – outside core biz	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scale up a project	<input type="checkbox"/>	<input checked="" type="checkbox"/> Com ultimately	<input checked="" type="checkbox"/> HR	<input type="checkbox"/>
Conduct a pilot	<input checked="" type="checkbox"/> CEO initially	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do nothing	<input checked="" type="checkbox"/> M&S initially	<input checked="" type="checkbox"/> Com initially	<input type="checkbox"/>	<input type="checkbox"/>

M&S = Marketing and Services Department

## 1.2 RECOGNIZE THE STRETCH FOR THE ORGANIZATION

Beyond adapting the level of ambition of an inclusive business program, recognizing the level of stretch it represents for the company, or in other words the number of new competencies it requires, and measuring it against the potential rewards it could bring, is also a critical step in the journey to kickstart an inclusive business.

Typically, successful inclusive business strategies are either low-stretch, low-return or high-stretch, high-return:

- **Low-stretch, low-return:** Close to the core business, so relatively easy to implement, even if they bring relatively low levels of benefits to the company. This is the case of Total: adding solar lights to the range of products already sold in gas stations did not require complex process or mindset change for the organization, and went ahead even though the expected benefits (in particular commercial benefits, yielding a few extra million euros in sales per year) were marginal for Total compared to its core oil and gas business. This would also be the case for sustainable sourcing initiatives that simply move to purchasing products certified by external parties (e.g. Rainforest Alliance), without changing any of the existing procurement processes.
- **High-stretch, high-return:** High reward potential from a commercial perspective, i.e. added revenues or improved margins, or from an image/ HR perspective, even if they are further from the core business model of the company and require it to change its usual processes/ ways of doing businesses and to hire new talent to handle these different opportunities. This is the case of the affordable housing programs of Cemex (Patrimonio Hoy) and LafargeHolcim. These depart from the companies' core business (selling cement) to provide holistic housing solutions, including loans for low-income populations to enlarge their home or become home-owners. On the other hand, these programs are very lucrative (Patrimonio Hoy was the highest margin distribution channel of Cemex for several years, while the LafargeHolcim Affordable Housing Program brought 20m CHF EBITDA to the company in 2017, impacting 1m people, and growing).

This category also encompasses the diverse corporate impact investment funds such as Danone Communities, Engie Rassembleurs d'Energies, Pearson Affordable Learning Fund or Schneider Electric Energy Access (SEEA) fund, which invest in inclusive businesses that are peripheral to the core business of their head companies. The stretch there is both in the creation of a new entity (an investment fund) with different modus operandi to the head company, and in the fact that these funds typically look at opportunities outside of what the head company does. Though complex to set up and operate, benefits from such funds are both strategic, as these funds actively look for new models that could become a strategic extension of their head companies' activities; and reputational, as the image benefits they bring to their mothership far exceed the skill stretch they require to be set up. As Valérie Mazon,

head of the Danone Communities investment fund explains: “Danone Communities image and HR benefits are huge, both externally in making young graduates want to work for us, and internally in motivating our employees.”

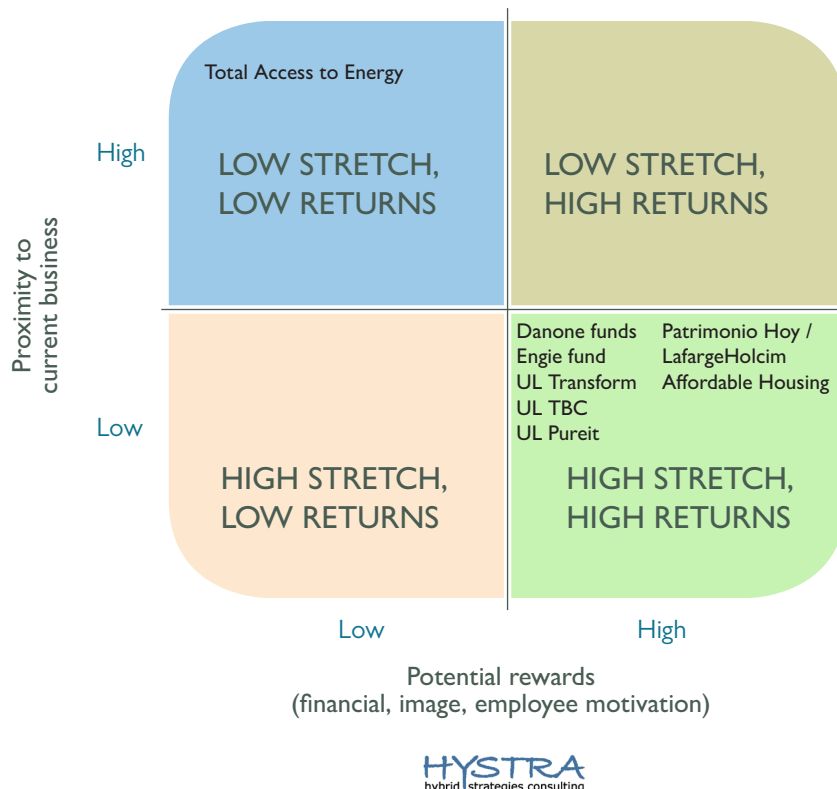
Pureit, the purification device business of Unilever would also fall into this category. Indeed, prior to Pureit, Unilever was solely selling Fast Moving Consumer Goods, from shampoos to food, which have a very different business model, including different sales channels, compare to durable goods, such as water filters. Though once again complex to set up, Pureit has made a substantial contribution to Unilever’s Sustainable Living Plan.

Lastly, this category could encompass sustainable sourcing programs that look at changing completely the way a company sources products, e.g. attempting to work directly with smallholder farmers to improve the sustainability of their production, and secure supply and lower sourcing costs for the company.

The important point to bear in mind when choosing an inclusive business strategy is that it cannot both be far from the core business of the company, and bring limited commercial and reputational benefits compared to the core business – otherwise it will never find arguments to accommodate the different objectives seen above and convince the organization to go ahead.<sup>3</sup>

Another important point is that we have not seen any of these models be low-stretch, high return... which probably explains why they are so hard to set up and scale!

Figure 2 Evaluating the level of stretch and rewards



3. For more information on the complexity of making profit at the base of the pyramid, see Profits at the base of the pyramid: a tool for assessing your opportunities, Erik Simanis and Duncan Duke, <https://hbr.org/2014/10/profits-at-the-bottom-of-the-pyramid>





Illumexico produces and distributes solar home systems for low-income populations in off-grid rural areas of Mexico. This project is one of the investments of Rassembleurs d'Énergies, Engie impact fund.

Credit: Rassembleurs d'Énergies

## 2. LEARN FROM OTHERS AND FIND YOUR UNIQUE STRATEGIC FIT

Throughout our work, we have seen a tendency from companies to search inward for (often technical) solutions rather than look outside for inspiration. This has led to creating solutions that proved less efficient and effective than existing alternatives – and ultimately failed.

For example, a multinational company in energy decided in 2009-10 to invest in creating a solar light, just at the time when several quality lantern startups were emerging in Asia. The multinational product, although of great quality, never managed to be cost competitive with those of smaller players that did not have the overheads of a European multinational. Another example is that of a water utility whose headquarter staff in Europe decided to set up a water purification plant in a developing country, and sell the water through shared taps in the surrounding communities. They did a technical due diligence for what they knew how to do (setting up a plant), but did not spend time understanding their target beneficiaries or trying to see if other water purification models might have been more relevant. Sales never took off as the local population resented the fact that they now had to pay for water at the tap, which had always been free. Further, they had other water purification methods that they trusted more than simply getting supposedly cleaner water from a tap similar to what they knew.

On the contrary, initiatives that we have seen scale furthest are the ones that recognized early on that they did not know best, learnt both from the ground locally and from others globally, and then thought strategically about the contributions they could make to solving the challenge they had chosen, as we will see below.

### 2.1 RECOGNIZE WHAT YOU DON'T KNOW

During the 1994 peso crisis, Cemex realized that the poor peri-urban areas of Mexico were the least affected by the drop in cement sales that the company experienced. Cemex thus decided to investigate how to grow this market segment, which it had never focused on before. In 1998, the company came up with its famous “Declaracion de Ignorancia” (Declaration of ignorance) and launched an anthropological study with managers living with families in those peri-urban neighborhoods for months, in order to understand local needs for home improvements. In 1999, Cemex launched Patrimonio Hoy, offering complete home improvement solutions to home-dwellers instead of simply selling them cement. A year after inception, the CEO visited the project which had few results to show for; yet he reiterated his commitment to the learning process. The project continued undergoing significant changes in its business model as the team learnt both from other projects and from the ground. It was only in 2002 that Patrimonio Hoy was first featured in the press, 4 years after its inception – by 2009, it was the most profitable sales channel of the company. They have now helped build over 500,000 additional rooms in low-income neighborhoods of Mexico.<sup>4</sup>

Similarly, when Total, Engie and Schneider Electric agreed to fund Hystra’s first study “Access to energy for the BoP” in 2009, and when a year later, LafargeHolcim asked us to do a similar scan of affordable housing solutions that LafargeHolcim could build upon, they implicitly recognized that they could learn from models developed elsewhere. For Total, Engie, and LafargeHolcim, this seminal work became the basis for new programs that have grown since into full-fledged inclusive businesses today, as we will discuss below in 2.3.

Some intrapreneurs do this discovery journey themselves, such as Jean-Marc Guesné who was hired by the BEL Group (the family group behind the Laughing Cow cheese) to set up more inclusive business models. He spent his first months at BEL immersing himself in what social entrepreneurs had done, including going to India to meet and learn from Arbind Singh, an Ashoka Fellow who had started worker cooperatives like the National Alliance of Street Vendors. He also worked with the consulting firm AZAO to get inputs from other external models. The project Jean-Marc set up in 2013, “Sharing Cities”, draws from both experiences and works with existing street vendors to sell Laughing Cow and other BEL product, while providing them with a range of support services. The company has a network of over 7,000 such street vendors today, which is a new profitable sales channel.

4. This paragraph was adapted from « Scaling up business solutions to social problems », Olivier Kayser and Valeria Budinich, 2013.



Other companies have chosen a different route to learn from others, supporting a portfolio of early-stage social enterprises linked to their value chains. This is the case for TRANSFORM, founded by Unilever and DFID in 2015 with an ambition to find sustainable and scalable solutions to persistent development challenges. TRANSFORM supports social enterprises with grant funding and business support, leveraging Unilever and other world-leading organization brands, know-how, capabilities and networks. In return, Unilever and the TRANSFORM partners learn from business models different to their own and open up opportunities to scale social impact. SwissRe has set up a similar challenge exploring business solutions around the key risks it insures (aging, climate change) with the SwissRe Foundation's Entrepreneurs for Resilience Award. The Award looks for innovative entrepreneurs, in different sectors every year, who all contribute in some way to building safer, more resilient societies, and supports them with grants, coaching and ad hoc technical support from SwissRe executives. In return, the Foundation award has become a powerful tool for SwissRe to keep track of early-stage innovations and differentiate with innovative added value services.

## 2.2 IMMERSIVE YOURSELF IN POSSIBLE SOLUTIONS – AND IN YOUR CLIENTS' LIVES

A very effective way to “reset” a team to start an inclusive business, is for that team to spend time in the field early on in the inclusive business life. As described above, for Cemex it meant getting managers to live in poor neighborhoods for a few months. Israel Moreno, who led the initiative for over a decade, explained: “You really need to live in these communities. If you don't, how can you earn their trust, and understand their concerns and expectations, their strengths, capacities and weaknesses? If they don't trust you, and if you don't prove that you trust them as well, they will not buy your product. We have to succeed together.” Interestingly the Cemex team did not only immerse themselves in their clients' world – they also went to Bangladesh to visit Grameen Bank and understand group lending, one of the features of the early Patrimonio Hoy program.

Similarly, once Total had decided to take action in access to energy, the initial project team agreed to do an immersion with Grameen Shakti, a social business that had sold hundreds of thousands of solar home systems commercially in Bangladesh (and today over 1.5m). This was a transformative experience. Indeed some team members could not believe that solar home systems could be sold profitably for less than 1000 USD (Grameen Shakti's average unit price back then was around 300 USD). This immersion opened their minds to the fact that selling smaller products like solar lanterns could also be a profitable endeavor.

As Jean-Marc Guesné explains: “Not having a lot of budget to launch what became BEL Sharing Cities forced me to go in the field myself, and learn people's needs directly from them, when projects with more budget might have completely outsourced that piece to external consultants. In retrospect, having those field insights myself was key to the success of what I built.”

To take one last example, before LafargeHolcim hired us to study existing affordable housing programs, they had already launched a pilot in Indonesia to sell houses on credit, conducted by “corporate PhD” student François Perrot – today the head of the LafargeHolcim Affordable Housing Program. For LafargeHolcim, having an insider learning about inclusive business on the ground gave credibility and reality to the larger program they decided to launch later. A pure strategy study alone would probably not have achieved this.

## 2.3 FIND THE BEST FIT BETWEEN THE COMPANY'S ASSETS AND THE PROBLEM TO SOLVE

Launching a new inclusive business successfully is not just a matter of process: it also requires a well-suited strategy. Ideally, this strategy should be such that an outsider would say: “Only company X could have done it.”<sup>5</sup>

Concretely, companies need to find the sweet spot in which they have unique assets to solve a given social or environmental problem. Learning from what already exists in the world, as suggested in the two previous paragraphs, is a first step that allows both to identify existing solutions and the remaining gaps in a given sector's value

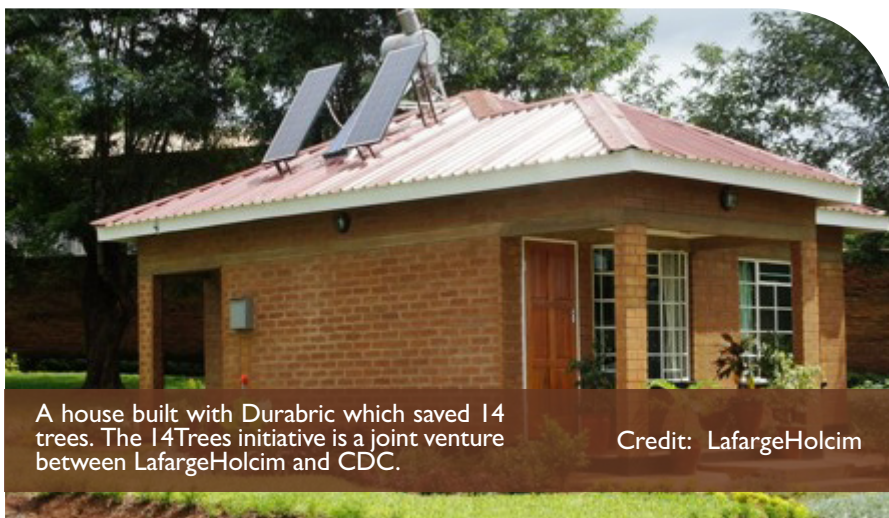
5. Being said, just because a company is expertly placed to pursue a given activity does not mean that it will be easy, or lowstretch, to pursue it. Indeed, that company may still face internal obstacles such as the ones described in this article, which can stop even the best strategy from becoming reality.

chain, that a company can help bridge.

As Emmanuel Léger recalls: “The corporate sustainable development team worked with Hystra to explore innovations in the field of access to energy, and identified the opportunity for Total to play a catalytic role in distributing solar lanterns by leveraging our network of 3,700 gas stations in Africa and the credibility of our brand with customers.” Indeed, gas stations allowed to reach low-income customers who needed a better source of light than kerosene, as these shops were often the last formal retail points before un-electrified rural areas. The Total brand (and the guarantee allowing to exchange faulted products at the gas station) created sufficient trust for even low-income people to invest 10-50 USD in a thus-far unknown solar lantern. Finally, when Total started to sell these products, they also became the first large regular customer of their lantern suppliers, allowing them to invest, improve their products and lower their costs over time. The two current market leaders for solar lights are two of the three product suppliers that Total chose initially (GreenLight Planet and d.light). Beyond the solar lights sold by TATES, Total played a key role, that no one else could have played, in strengthening the solar lantern value chain globally.

The strategy that Engie followed was different: their unique assets to help the access to energy sector was their corporate program giving employee’s time and skills to NGOs. They chose to leverage it to support social enterprises in the energy access space. They thus created one of the first access to energy impact funds, Rassembleurs d’Energies that provides investees with both money and technical assistance. By the end of 2016, the company had invested €16m in 18 projects on four continents; and Engie’s CEO had raised its initial endowment from €10m to €50m.

In the case of LafargeHolcim, their unique assets were close to that of Cemex, with a twist of technical innovation: they created their own versions of a financed home building package (partly inspired from Patrimonio Hoy), including for new homes, tailored to each country. Indeed, contrary to solar lights that are a (nearly) universal solution to the lack of modern lighting, housing solutions need to be much more local – and so do the financial solutions that go with it, that must adapt to local regulations and financial infrastructure. They also extended their affordable housing program to include additional business models such as cleaner bricks (manufactured and sold by 14Trees, a joint venture with CDC) or social housing programs. This portfolio of models helped extend the program to over 20 countries today, with each business unit choosing the model that matched their local context.



A house built with Durabrick which saved 14 trees. The 14Trees initiative is a joint venture between LafargeHolcim and CDC.

Credit: LafargeHolcim





Madam Phaw Thar Sae and her children are having dinner under the light of an Awango (Total) solar lamp in the village of Karen de Endayaza in Myanmar.

Credit: Roussel Marc - Total



## 3. GIVE THE INTRAPRENEUR ROLE TO INTERNAL, CREDIBLE, RISK-TAKING LEADERS

The intrapreneurs that push an inclusive business idea do not have to be the source of this idea (as we have seen above). However, whether these ideas get implemented or not is in their hands. They must be able both to navigate the company to push the project through (as we will see in this section), and to drive a successful pilot (as we will see in the next).

In one company we worked with, the intrapreneur who first pushed an inclusive business idea had a burn-out mid-way through the strategy development. Reflecting back on his experience, it turns out that except for his great motivation, he had none of the key characteristics we have since seen in successful intrapreneurs. First, he was new to the company and did not have internal networks (nor a right arm to rely on who had those), that later proved key to land the project. He came from the NGO sector, which discredited him in the eyes of the business side of the organization. He was a father and the main bread-winner of a large family. He could not afford to take risks and push ideas that could jeopardize his job. Finally, he was a great consensus-builder, but not a charismatic leader; he struggled to gather and lead a motivated team. He later tried to set up a second strategic inclusive business initiative in the organization, again with the best motivation – and failed again.

Indeed, beyond their clear motivation, the intrapreneurs we have seen succeed were all internal, credible, risk-taking leaders – or worked closely with a second person who brought those of these characteristics they were missing.

### 3.1 INTERNAL

Building an inclusive business requires true insiders who can navigate all the politics and power games of their organization. Emmanuel Léger sees this as one of the key factor that explained his success in setting up the Total access to energy initiative, that was to become TATES, “You need to be an insider, to know the aspirations and hot buttons of the company.”

A few companies have hired external people to bring in their inclusive business expertise – those that have succeeded in integrating that expertise have paired these newcomers with people who knew the company well. One such example is Jean-Marc Guesné. A newcomer hired to set up an inclusive business, he worked closely with Florian Sauvin, who had been in the company for over 3 years and had ties to the BEL family, and as such knew how to navigate the company.

Being an insider (or working closely with one) also helps be credible to other internal stakeholders, the second key characteristic of a successful intrapreneur.

### 3.2 CREDIBLE

Marc Gosselin, former VP Africa/Middle East Dairy division and BOP/Social Business of Danone, explains: “Selecting the right individuals is key. Their track record and personal credibility must make them immune to hierarchical pressures.” And Valérie Mazon adds: “They need to have a real business experience. Being able to talk about the P&L of our projects with our internal stakeholders definitely helps make Danone Communities projects credible to the business.”

In the case of Emmanuel Léger, his previous job was in the financial department, and he was classified as a “high potential”, meaning he was on a fast career track in the company. This allowed him to lend his own “hard core finance person” credibility to the initiative.



François Perrot of LafargeHolcim built the credentials of the Affordable Housing Program differently. He set up the first pilot project, which gave him good field credibility; and worked hand-in-hand with Philippe Mauran, who had been Director of various LafargeHolcim business units for the previous 7 years, who lent his internal credentials to the project.

### 3.3 RISK-TAKING

Successful intrapreneurs are those who can truly take risks, including the financial risk of losing their job. We have seen two types of profiles: either young professionals who did not yet have a family or if they did, whose family finances did not depend mainly on their job; or older higher level executives in their last 15 years of carriers, who had little to lose.<sup>6</sup>

François Perrot or Emmanuel Léger belong to the first category. For Emmanuel, the risks he took materialized, in spite of his success in launching TATES. Joining this initiative derailed his high potential track, to which he refused to go back when he was asked to rotate jobs after 4 years as its head. We have also seen intrapreneurs in that first category decide to leave their job after a few years, when their family life takes priority (e.g. when they become parents).

As a perfect example of the second category, we can quote one of the Senior VP of a large multinational we worked with on an ambitious inclusive business: "I could stop working now and have enough money for the rest of my life. I'm looking to do the right thing, with the assets I have at hands-that's why I keep working." After successfully launching that first inclusive business, he moved on to his next position in the same multinational. And he is now pushing to set up a new inclusive business there.

Bernard Saincy, who was Director of Social Responsibility of Engie (then GDF SUEZ) when the company started building Rassembleurs d'Energies, also belongs to that second category. Close to the end of his carrier, he wanted to leave a durable trace in the organization (and in the world!), and had little to lose: a great combination to launch a new inclusive business.

### 3.4 LEADERS

Intrapreneurs cannot succeed alone. Over time, they need to build a team of committed individuals who will support them in the obstacle race of setting up an inclusive business. For this, they must be aspirational leaders.

Emmanuel Léger managed to hire back some of his Total team in his next jobs, proving that he was indeed a leader that his team was ready to follow.

Bernard Saincy, before joining GDF Suez, was part of the close staff of a trade union leader. He proved once again his leadership abilities when creating Rassembleurs d'Energies, for which he managed to get the backing of nearly every department at GDF Suez, and to motivate over 20 colleagues to take part in the steering committees that oversaw the creation of Rassembleurs d'Energies.

6. This does not mean that no other profile can succeed as an intrapreneur; rather, that personal circumstances should not be underestimated in how much they can weigh on their success. It should be noted that our work has primarily been with corporations whose headquarters are based in Europe, and so this may not be as applicable to the broader spectrum of inclusive businesses started by intrapreneurs elsewhere in the world.





Four highly energy-efficient social housing units in Vachères (France), built and renovated with locally-sourced materials and employing workers in a professional reintegration program. This project is one of the investments of Rassembleurs d'Énergies, Engie impact fund.

Credit: Rassembleurs d'Énergies



## 4. MAKE THE PILOT A SUCCESS, BOTH ON THE GROUND AND AT HEADQUARTERS

A multinational we worked with piloted a new water-cleaning product in Indonesia. They chose Indonesia because of its large potential market size, and high incidence of the water issue the product could solve. The pilot showed not only that potential clients were ready to pay for the product, but also that it was truly life-changing: some clients cried when they saw the product clear their water for the first time. In spite of this apparent success, the project got stuck at “end of pilot” level for over six months, as the local management refused to take it forward, and headquarters were not sure about how to promote it further as it did not fit directly into any existing business categories. After the project promoters took time to build additional buy-in, the project “re-started”, and is now on track for scale up.

This is not an isolated example. Conducting a successful pilot is not only a matter of reaching pre-defined KPIs; it also requires building buy-in from the country teams, as well as readiness from headquarters’ to take the project forward, to ensure it can scale if successful.

### 4.1 ON THE GROUND

#### 4.1.1 Prioritize countries based on local will

The Danone Ecosystem Fund proposes to Danone subsidiaries to co-fund inclusive business projects in their ecosystem (sourcing, recycling, micro-distribution, etc.). The mechanism is that local teams have to apply for support from the central fund, thereby ensuring local ownership and motivation. The Fund has supported 71 projects, reaching 4.1m beneficiaries to date.

When Total decided to launch TATES, a key discussion was on choosing pilot countries. The initial analysis was based on external factors, such as market size, ease of doing business, and country risk. The team however ended up switching one of the initial three countries for a less well-rated one, as the local Total team did not show the necessary commitment to carry the project. The two remaining African countries, Kenya and Cameroon, are still to date the two best performing countries of the program, where most innovation has taken place.

Similarly, LafargeHolcim uses country motivation to decide where to launch each of its new Affordable Housing projects, making sure local management is deeply committed to the implementation. The Affordable Housing team first engages in discussions with the local management to understand their business issues, then proposes solutions from their project portfolio and helps the local team tailor it to their needs. They never launch a project themselves, instead only supporting a committed country team set up by their local business unit. They need to have the commitment that at least one full time resource will be managing the project. As François Perrot puts it: “If they put only half the effort in, e.g. a part-time manager, we will not get half a success. We will get a full failure.”

#### 4.1.2 Prioritize operational partnerships focused on pilot objectives

A few years ago, a major multinational corporation, leader in consumer goods, developed a model to provide employment and a reliable income to disadvantaged women in Mexico through micro-distribution activities. They decided to partner with a local NGO to help design and launch the project. When deciding on the partnership financial arrangements, the company tried to negotiate with the NGO to pay them in equity from the social business. The team thought this model would bring an additional “social” dimension to the business. On the other side, the NGO preferred instant cash. They also expected the relationship with the company to be a long-term one. Eventually, the NGO engaged a lot of time and resources on the project and having negotiated poorly, got paid less than hoped. They ended up leaving the project with a bitter feeling.

Aligning expectations is key not just in terms of project objectives, but also in terms of the scope of the collaboration. The best partner for a pilot, whose goal is to test hypotheses, and for scale-up, which requires a similar geographic focus between both organizations and a very clear split of responsibility (hard to establish pre-pilot), is likely to be different. Typically, a pilot should help establish the key criteria that a scale up partner should meet – and whether such a partner is truly necessary, or if the company should rather deploy the whole business model in-house.

For example, Total can rely on its local affiliates to deploy this program in house. BEL Sharing Cities is also run by BEL alone. Conversely, LafargeHolcim identified the need to provide financing to clients of its affordable housing packages, a skill the company did not have and did not wish to develop. For its Indonesia pilot it worked with a local MFI on developing a suitable solution. It has since then refined its approach and set up different longer term partnerships with local financial institutions and donors funding those, e.g. with the AFD (the French development agency) funding a €5m credit line for microfinance institution LAPO in Nigeria, that in turns provides credit to LafargeHolcim clients there.

The table below can help verify the need for partnership and identify suitable partners for both pilot phase and scale-up:

	PILOT PHASE	SCALING UP PHASE
<b>POSSIBLE ROLE OF PARTNERS</b>	Co-creator bringing unique insights and knowledge, allowing to test key hypotheses for scale up	Organization contributing unique assets (e.g. distribution networks, relationship with customers, brand...) able to scale with the company
<b>KEY QUESTIONS</b>	<ul style="list-style-type: none"> <li>• What do you expect from your partner to conduct your pilot?</li> <li>• How to build trust and commitment to common goals?</li> <li>• How to clarify expectations for the duration of the co-creation phase and its exit?</li> <li>• How to compensate your partner fairly?</li> </ul>	<ul style="list-style-type: none"> <li>• Will you need further support from a partner?</li> <li>• Is the initial partner able to support the scaling up? Are there other potential partners with the required assets in the target regions? Will they be willing to work with us?</li> <li>• What will be the cost in building a long-term relationship?</li> <li>• How to contractualise the arrangements?</li> <li>• All in all, wouldn't a "do-it-alone" strategy be faster and more efficient?</li> </ul>

### 4.1.3 Adapt to local timing

A few years ago, a large NGO and a development agency joined forces to increase income and food security of rural families in Latin America. They decided to support silo producers in scaling their commercial operations, thus helping farmers secure their incomes after the harvest season. After a few months of feasibility studies, the NGO and the development agency were ready to launch the pilot, but local communities were not: that time occurred before the harvest period, at an inconvenient time in which farmers usually have no cash in hand. The NGO was in a rush to get first results and quick wins of the project and thus stuck with the project schedule, and pushed the products. Eventually, the NGO and the development agency incurred large costs to operate the pilot, which led to little or almost no sales. In addition, findings from the pilot were hard to interpret as sales were so low, and the teams could not conclude whether the business model worked or not. They should have waited 9 more months, until the end of the harvest period, to launch the pilot in optimum conditions and have the best

possible chance to get reliable results. Because the NGO had its own milestones to meet, the teams neglected field conditions and ended up wasting a lot of time and money on an unsuccessful pilot, and the project was stopped.

Although the example above comes from the development sector, its learnings remain true for intrapreneurs launching an inclusive business. An intrapreneur, just like any entrepreneur, must find the right balance between pressures to get quick results on the one hand, and strategic timing decisions on the other. Launching the pilot at the best possible time for the project and not when convenient to headquarters requires both identifying the most relevant time to get significant results from the pilot, and managing expectations at headquarters. This includes avoiding to set goals in stone too early as they are bound to change as the pilot evolves.

#### 4.1.4 Measure progress, achieve rapid milestones and celebrate success

Being able to measure the results of the pilot early on is key both to pivot the experimentation rapidly; and to be able to identify and celebrate success, which helps to secure support.

As François Perrot of LafargeHolcim explained: “You need to have a very “hands on” approach, with a concrete demonstration that the proposed model can work, as early as possible. Bringing our management testimonials from our first clients saying “LafargeHolcim helped me” proved much more effective at securing their support for the project than the best PowerPoint presentation.”

The same was true of the Toilet Board Coalition, a public-private coalition with the ambitious vision of building profitable toilet businesses that could address the sanitation issue for millions of people. A strong ambition was not enough to create momentum: it is when the first projects were launched on the ground that the corporate members involved were able to get traction within their organizations. Mauricio Troncoso, then MD for Europe at Kimberly-Clark, explained: “One of the most powerful things is showing Clean Team<sup>7</sup> with actual pictures and actual people. You should never underestimate how much that brings to life.”

## 4.2 AT HEADQUARTERS (HQ)

### 4.2.1 Craft business plans not to predict business performance, but as tools to secure HQ interest and country commitments

Crafting business plans before launching a new business model is a compulsory step in a large corporation, and inclusive businesses are no exception to this rule.

This exercise typically takes 3-6 months (and up to a year), and can seem like an unnecessary delay to the project believers. Further, they rarely prove accurate for new business models, and putting too much faith in the predictive capabilities of these business plans can later create difficulties to explain e.g. a slower start than hoped. They have nevertheless proven to serve two important purposes:

- Create a reason to speak with key stakeholders at HQ early on, to discuss the project potential and gain their support (see point 4.2.3), and reassure them about the “seriousness” of the project and of the team leading it.
- Get local business units on board, as they will be the ones who will have to deliver on these business plans after the pilot phase. As François Perrot explains: “Having country objectives set year after year in business plans, clearly helped make each country feel responsible for their own results, and also pushed them to look for best practices in other units and share learnings.”

These business plans can be done before or during the first pilot, but should not be delayed further, as they are a tool to secure the future of the inclusive business. That future can be either a scale-up strategy in the pilot country, or a replication in other countries that will have proved their engagement by co-creating those business plans. As a counter example, the Indonesia project we mention at the beginning of this chapter waited for the pilot results to start working on a wider business plan – this is part of the reason why the project has been stuck since the end of the pilot phase, without a clear way forward.

7. Clean Team was one of the first projects supported by the Toilet Board Coalition. It is an inclusive business renting toilet units and collecting waste in urban Ghana.

#### 4.2.2 Build a governance with all key stakeholders to the project success, not just the initial supporters

The initial Total project steering committee (when designing its strategy) included the Clean Energy Department and the Sustainability Department<sup>8</sup>, who were co-financing the study. It did not however include the Marketing and Services Department that supervises the gas station network. When the team first approached them, they said they were not interested in participating – until they understood the business opportunity. They came to the following steering committee, insisting that they should take over the whole project. They eventually found a way to move forward that was agreeable to all parties, and made sure that this critical department was indeed part of the project decision-making body – but not the only one. However, it took several weeks to get to that point, which could have been avoided had the governance been more inclusive from the get-go.

The Engie story moved more smoothly from the start, with Bernard Saincy playing an amazing convening role, as described above, in bringing together more than 20 people in the steering committee for his initiative. They were truly representative of all the key departments to set up an investment fund and integrate it to their technical assistance program: finance, HR, and all the technical units whose staff were eager to contribute. It took Engie 2 years to build the necessary consensus with everyone in this steering committee and launch this fund, but once it did launch, it had the support of the entire organization, and found volunteers to participate in its first processes and due diligences in the blink of an eye.

#### 4.2.3 Securing early support not just from one, but several high-level stakeholders

Launching an inclusive business requires having the back up of at least one high-level stakeholder ready to commit budget, human resources and other key assets to the initial project plan and pilot. Having only one means depending fully on that person's continued support – and continuous role in the organization – so having at least two helps make the project more resilient. And as Jean-Marc Guesné says: "It is key to have several Executive Committee members motivated, to have more than one voice at the ExCom protecting and pushing for the project."

The first high-level supporter of one of the inclusive business program we worked with was the company Strategy Director. In the design phase of the program, he had the brilliant idea of organizing a consultation with 12 other members of the Executive Committee to gather their thoughts on what an inclusive business unit could look like in this company. Beyond helping to shape the program, that consultation proved to be a great opportunity to gain supporters for the project. After this consultation, the CEO actually rejected the first strategy that was proposed – but the project survived because several of the ExCom members took it under their wings and helped launch some of the first initiatives.

8. Total has since been reorganized and these two departments do not exist under that form any more.





Asha, a shopkeeper in Nairobi, uses the UJoin platform to improve her business. UJoin has been supported by TRANSFORM, a partnership between Unilever and DFID to support social enterprises in developing countries.

Credit: Unilever



## 5. CREATE SOLID TIES IN THE ORGANIZATION

Unless solid ties are established between an inclusive business project and the organization at large, there is a risk that even successful projects may not necessarily scale up or be replicated. This is partly due to the frequent rotation of top management in large corporations, as newcomers can stop or cut projects that they see as their predecessor's mark. For instance, BP Oorja, the inclusive business initiative of BP launched in the early 2000's, developed and sold improved cookstoves through village entrepreneurs in India. In 2007, when BP leadership changed and BP Oorja was no longer considered to be strategic for the company, BP sold the activity and its brands to the Indian management team and additional partners. The company became "First Energy", and after further strategic changes, grew rapidly and reached profitability in 2012 – outside of BP.

Spin-off initiatives such as these can be impactful and sustainable social businesses. Yet, these weakened ties between company and project limit the extent to which the company's assets and networks can be leveraged to replicate models in multiple geographies, and also make it hard to trigger the creation of other inclusive businesses within said company. We propose below a few ways to create strong ties, and preserve the potential of inclusive businesses to maximize their impact inside and outside their mother organization.

### 5.1 CREATE A SENSE OF PRIDE AND OWNERSHIP TO MAKE INCLUSIVE BUSINESS HARD TO "CUT"

#### 5.1.1 Employees

Involving as broad a community of employees in the inclusive business program as possible helps create a strong sense of ownership and pride, that can make new business leaders think twice before cutting a project.

While the simplest route for this is to run extensive communication campaigns on the project, as TATES did with numerous articles in Total's internal newspaper, the most resilient path is to truly involve employees in the initiative. Danone Communities leverages staff from other business units to help solve challenges for its investees. In 2018, they expected over 1000 people to participate in supporting the fund's projects, from light support such as participating in a working group on a given project's issue, to 3-months assignments in the field to help craft a marketing strategy, to long-term coaching of the management of an investee. Danone Communities pays for the employees' project-related expenses but they remain on the payroll of their business unit. Rassembleurs d'Energies similarly sets up ad hoc teams to support its core team for every new due diligence, and draws on a pool of volunteers to then support their investees with technical assistance. Unilever similarly provides TRANSFORM's social enterprise projects with dedicated support from employees across the business in marketing, sales, distribution, research and development, and in developing inclusive business models.

Going one step further, when possible legally, employees can become investors in these initiatives. Both Danone Communities and Rassembleurs d'Energies allow employees to invest their company saving plan into their funds. As of 2018, over 50% of Danone France employees had invested at least once in Danone Communities, and their investments represented 25% of the fund value of €70m.

#### 5.1.2 Shareholders

Securing support from shareholders helps protect the long-term prospects of inclusive businesses. This requires first securing the CEO's commitment, as discussed in part 1.1 and part 4.2.3, so that he presents the decision to the shareholders. Not doing so runs the risk of shareholders questioning the project when market conditions get



tougher, or the next CEO being easily able to stop the program. Franck Riboud asked its General Assembly to approve the creation of Danone Communities and obtained a 99.77% supportive vote<sup>9</sup>, one of the highest positive votes they ever got. Interestingly these votes came from shareholders that include pension funds, often labeled as financial vultures by the press.<sup>10</sup>

## 5.2 DESIGN AN APPROPRIATE STRUCTURE

Inclusive businesses typically start as a project, housed by one or several business units. The question is what structure they should take as they grow.

They can be housed in a department (TATES is part of the Innovation and Energy efficiency one, within Gas, Renewables and Power, after having been incubated as a joint project between the Gas, Renewables and Power branch and the Sustainability department) or as a joint venture between two departments, or can be a separate subsidiary (in particular if they are investment funds such as Danone Communities or Rassembleurs d'Energies). Separate legal entities allow these organizations to have different (less financially oriented) KPIs than the rest of their organization and protects them from the short-term pressure of the business. It also allows them to benefit from financial instruments that donors might be reluctant to deploy for business-as-usual departments of large corporations, such as the first loss guarantee that AFD set up for Danone Communities (covering up to 50% of the fund's investments).

In terms of long-term resilience against the short-term KPIs and turnover of top management in multinationals, a very interesting format is to set up a joint-venture with another organization. For example, 14Trees, the company set up by LafargeHolcim Affordable Housing Program to produce cleaner bricks, is now a joint venture between the company and CDC Group. Beyond the fact that CDC Group brings a lot of credibility and the strength of its network to the venture, this joint venture also creates a protected space around innovation, with different rules (and a separate budget) to that of LafargeHolcim, leaving the opportunity to dedicate people with different skills to the venture. It also gives them the necessary time to innovate as entrepreneurs, creating a model quite different from LafargeHolcim's core business (e.g. going all the way to building Durabrick Homes with partner constructors when LafargeHolcim traditional model is just to sell building material). Further, as LafargeHolcim has a put on the shares, it effectively takes the company out of LafargeHolcim books for its first years, when the margin might be dilutive, with the option to get it back later as a fully-grown and profitable business.

The table below attempts to summarize the pros and cons of different types of structures.

Types of Structure	Advantages	Disadvantages
<b>IN-HOUSE STRUCTURES</b> e.g. housed in an existing company department or as a joint venture between two company departments	<ul style="list-style-type: none"> <li>• Faster to set up, as the structures and teams are already largely in place</li> <li>• Easier access to company non-financial assets (e.g. brands, expertise, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Turnover of top and middle management in multinationals</li> <li>• Risk of staff stretch if not fully dedicated to this initiative (need for at least one full time project manager)</li> <li>• Potential reluctance from donor/ NGO partner to deploy support and funds for business-as-usual departments of large corporations</li> <li>• Risk of contradictory, prior objectives of the existing departments, that distract from the new initiative</li> </ul>

9. See official results from the Shareholder General Assembly 2007 where the vote was held: <http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MjY3OTB8Q2hpbGRJR00tMXxUeXBIPtM=&t=1>

10. This paragraph was adapted from « Scaling up business solutions to social problems », Olivier Kayser and Valeria Budinich, 2013

<p><b>INDEPENDENT STRUCTURES</b> e.g. separate subsidiary or investment fund</p>	<ul style="list-style-type: none"> <li>• Ability to have different KPIs and processes, more adapted to the rhythm and realities of inclusive business, protecting the organization against the short-term pressure of the rest of the business and enabling the fast decision-making that a start up inclusive business needs</li> <li>• In the best case, independent budget/P&amp;L from the main corporate, avoiding unexpected budget cuts (e.g. no obligation to send back profits to the head organization who might then reallocate it to other departments)</li> <li>• Easier to get funding from donors and/ or enter partnerships with non-business actors than a business-as-usual department in a large corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Easier to cut/ get rid off when management changes</li> <li>• Possibly harder access to company non-financial assets if the inclusive business structure is a separate legal entity</li> </ul>
<p><b>INDEPENDENT STRUCTURES WITH EXTERNAL PARTNERS</b> e.g. joint venture with another organization</p>	<ul style="list-style-type: none"> <li>• Same as independent structure</li> <li>• Hard to cut the project if the company is not the only shareholder/ decision-maker</li> </ul>	<ul style="list-style-type: none"> <li>• Possibly harder access to company non-financial assets if the inclusive business structure is a separate legal entity</li> <li>• Complex and long to set up</li> <li>• Risk of short or long term misalignment with partner if objectives and governance are not well thought through from the start</li> </ul>

### 5.3 SWARM THE CONCEPT IN MULTIPLE COUNTRIES WITH DE-RISKING MECHANISMS

Beyond choosing an appropriate structure for the central inclusive business unit, making sure the inclusive business concept thrives in as many countries as possible (as opposed to remaining a one country initiative), also makes it much harder to cut or stop.

One way to encourage this is to create a central expertise team whose role is to promote and de-risk the uptake of the concept by new business units. This is the role that TATES central unit plays, conducting due diligence on new suppliers, centralizing orders from each country and helping with any delivery, quality or litigation issues, and playing a support role for new countries to launch the TATES range of product with a marketing kit and other tools. This is also the role of LafargeHolcim Affordable Housing core team, helping new countries find what part of the Affordable Housing Program makes more sense in their local context, and helping them prepare their business case and launch their initiative. Unilever Sustainable Sourcing team is set up in the same way, helping procurement team globally find the best way to source their products sustainably.

In addition to expertise, such units can also provide co-funding to further de-risk local projects. Both Danone Ecosystem fund or Unilever Sustainable Sourcing unit come as support to existing country teams to help them shape their project and co-invest (with the local subsidiaries) in their inclusive business projects.



A Total employee is selling a D.Light S2 solar lamp to a driver in a Total gas station in Nairobi (Kenya).

Credit: Thomas Neil - Capa - Total



## 6. MAINSTREAM INCLUSIVE BUSINESSES IN THE ORGANIZATION

Some companies have managed to set up large inclusive businesses, such as LafargeHolcim or Total, whose inclusive business programs are both in over 20 countries. Yet, they recognize that there is still a way to go in order to make these inclusive businesses truly mainstream in their organizations, and would be eager to find ways to encourage greater reverse innovation in their organization, and scale beyond the initial business concept.

As one former employee of an inclusive business we worked with told us: “We as the core team had the ambition to go beyond selling just the few types of products with which we had had our early success. When we presented our ideas to include additional products in our mix, our management clearly told us that they did not see why we kept trying to do more. For them, we had succeeded in our first inclusive business, and there was no need to go further, in spite of the huge potential this could have had for the world, while being profitable for our company.”

What would it take to bring these initiatives even further, and help corporations reach their full potential in inclusive business? Below are a few best practices that go in the right direction.

### 6.1 ALIGN BUSINESS KEY PERFORMANCE INDICATORS (KPIs) TO THE REALITIES OF INCLUSIVE BUSINESS

Typically, most multinationals in consumer products look at Return On Investment (ROI) of 3 years at most for their usual new products and business lines. This is typically the time that companies spend developing an inclusive business concept and running the first pilots. The most rapid positive contributions from inclusive businesses typically take 5-6 years. If the inclusive business team is not given a longer time frame to test and refine their ideas, they are very unlikely to succeed.

Furthermore, these new business models typically do not have the same success factors as their core business of their mother organization – and hence their success should be measured on different KPIs. For example, with the Patrimonio Hoy program, Cemex found itself going from a mostly B2B model of selling cement to constructors, to running a B2C, service heavy model. While sales volumes were a good proxy to the success of the first model, the second model required not just good sales, but also a good after-sales service, ensuring clients were succeeding in their home improvement project so that they would tell their friends and the project would grow. The company was one of the first one to implement measures of the “Net Promoter Score” that measures client’s propensity to recommend a product or service, and to make this measure a KPI for their employees, tied to their bonus – and for several years it maintained an impressive score of over 80% of their net promoter score, and had over 60% of their clients coming following the advice of friends and family.

### 6.2 ALIGN HUMAN RESOURCES PROCESSES

Human Resources processes could be reviewed along two axes to help inclusive businesses spread:

- **Reviewing acceptable job tenure:** career plans typically require to change job every 3-5 years in large corporations. This led the whole TATES founding team to leave Total when they were asked to get back to “normal” jobs, as all of them had gotten too passionate about inclusive business to go back to a job that did not align as well with their values. Today, one counter example is François Perrot who has been allowed to stay longer in his role, as he progressed in level of responsibility with the Affordable Housing Program he helped create.
- **Adapting the incentive scheme:** there is an on-going debate on whether being incentivized partly on non-financial (and more specifically social impact) KPIs actually motivates employees to “do more” in inclusive business. We have seen the inclusive business units of our clients really struggle to work

with their local business counterparts, because these counterparts had all their KPIs set on financial, short-term indicators and hence were not ready to take time off their main targets to help develop an inclusive business on the side.

Conversely, managers who had part of their bonus based on social impact have told us that the money actually either did not play any role or decreased their motivation to participate in setting up social businesses, as they did not have the impression to do something “as noble” if they were compensated for it.

One way to compromise between these two possibilities might be to have only the director of the relevant business unit incentivized institutionally on inclusive business results, and let him or her see how best to allocate resources (and define KPIs for his staff) to do this, as the best combination might differ from one context to the next.

Institutionally, Danone has done this by defining nine “company goals” for its worldwide business units (WBU), including one on inclusive business. Each business unit then has to define its own workplan to reach those objectives, who are then cascaded down to the individuals who are in charge of implementing it, including in their KPIs and incentives.

#### ***And what about early stage financing?***

*A recurring question we hear: how did such initiatives manage to secure their initial funding? Interestingly, all of the cases referred to in this article were initially funded by the companies themselves – either by a single department, or as a joint budget between several departments –, without external support. In the past few years, an increasing number of donors such as DFID, AFD or private foundations, have started to set up mechanisms to kickstart more such projects or help them scale, for example by co-funding technical assistance to prepare the initial business case, providing early grants to companies, or offering first loss guarantees to corporate investment funds. As these donor initiatives develop and get their first results, further research will be key to help identify which of these mechanisms are most effective at convincing newcomers among large corporations to start inclusive businesses, and at transforming these inclusive businesses into success stories at scale. Experiences to be shared!*



Jocelyn Mulwa from JCS, in front of the Tala Total Station's Solar Boutique (Kenya).

Credit: Thomas Neil - Capa - Total

## 7. CONCLUSION

There is no silver bullet to succeed in starting, scaling up and replicating inclusive businesses in multinational corporations. However, there are clear strategies that corporate intrapreneurs – and more generally, their organizations – can take in order to avoid having their inclusive businesses derailed at different stages of their growth.

Some companies, such as Unilever, Danone and Total, have carried on building on their early initiatives to further benefit from the internal and external advantages of inclusive business involvement. Danone did it through its organization by integrating the nine objectives in every single business unit. Total grew TATES organically within the Gas, Renewables and Power division by enlarging its scope of products and countries involved, then helping in the creation of a dedicated investment fund targeting start-ups in the energy access space, and now looking at involvements at the periphery of the energy value chain (such as recycling).

Our hope is that bearing in mind this list of critical factors might help future intrapreneurs navigate their organization to maximize the chance of success of their inclusive business; and ultimately, serve lower-income populations with more appropriate goods and services, at scale.



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