HARVARD Kennedy School
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Tackling Barriers to Scale:
From Inclusive Business Models to Inclusive Business Ecosystems

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Foreword

One of the greatest contributions that business can make to society is to expand access to goods, services, and economic opportunities. Through offering goods and services that people can afford and value enough to pay for, companies can create jobs and opportunities for suppliers, distributors, and retailers along the value chain – fueling broader economic growth and rising standards of living, when underpinned by responsible business practices.

In many countries, however, market failures, governance gaps, and other bottlenecks prevent business from reaching the scale or leverage it might be capable of. This is especially the case when it comes to serving low-income consumers or engaging with low-income producers and workers. The poor face not only lower incomes, insufficient assets and exclusion from formal economic value chains, but often limited education and skills, geographic isolation, and legal or political exclusion.

Over the past five years, the CSR Initiative at the Harvard Kennedy School has engaged in research and outreach on the role companies can play in expanding access to goods, services, and economic opportunities for the poor. Two common themes have stood out:

- First, companies must move beyond philanthropy and social investment, although these can play a catalytic role, to harness their core business resources and competencies in order to effectively tackle development challenges and to build inclusive business models. In short, there must be a business case: both up-front investment and long-term sustainability depend on it.
- Second, business cannot do it alone: there are systemic barriers to scale that can only be tackled in collaboration with other players in the private sector, in government, and in civil society.

It has become clear that for companies to maximize their contributions to development, they need to engage in a combination of both business model innovation with the potential for long-term sustainability and broad, multi-stakeholder collaboration to remove systemic barriers to scale and impact. New models of collaboration are as important as new business models. In this context, the CSR Initiative has initiated a research workstream focused on ways companies can strengthen and manage inclusive business ecosystems: the communities or networks of interconnected, interdependent players whose actions determine whether or not inclusive business models will succeed and generate impact at scale. This paper presents the findings of our first phase of research. It will be followed by more in-depth case studies of specific initiatives and the hosting of dialogues between leaders in the corporate and development community. We welcome your feedback and look forward to sharing deeper insights as our work unfolds.

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Executive Summary

This paper describes the concept of an inclusive business ecosystem, and presents three structures companies can employ to strengthen these ecosystems. It is based on an analysis of 15 case examples that have been identified in a review of 170 documented efforts by companies to start and scale inclusive business models.

Inclusive business models engage people living at the base of the economic pyramid (BOP) in corporate value chains as consumers, producers, and entrepreneurs. Such models offer great promise: to enable business growth in markets that cover two thirds of the world's population, while creating economic opportunity and better standards of living for the poor in the process. Yet while companies – and also donors, development banks and other players – have put much effort into creating such models, relatively few have gained significant scale so far. What is keeping inclusive business models from reaching their full potential? Among the most obvious factors is that operating environments for inclusive business are challenging, with significant gaps in the institutional, informational and infrastructural conditions required to make markets work.

Broadening the focus from developing inclusive business models to strengthening inclusive business ecosystems, as this paper suggests, helps companies deal more efficiently and effectively with these challenges – by *deliberately and strategically engaging the networks of interconnected, interdependent players whose actions determine whether or not their inclusive business models will succeed.* The players typically include individuals, companies, governments, intermediaries, NGOs, public and private donors, and others.

Companies use a variety of strategies to strengthen the ecosystems around their inclusive business models. These include BOP awareness-raising and capacity-building, research, information-sharing, public policy dialogue, and creating new organizations. We find these strategies across the cases analyzed for this paper.

Companies execute these strategies using three structures to harness the necessary resources and capabilities and overcome the incentive problems that coordination and cooperation entail:

- **Private initiative** by an individual company is the default structure for firms seeking to strengthen their inclusive business ecosystems, because it enables them to move quickly with fewer transaction costs. It presumes sufficient resources and the necessary capabilities, and typically works best when incentive problems are limited to the company and its direct customers and suppliers – and can be addressed through payment and certification systems embedded in the business model.
- **Project-based alliances** with one or more other organizations are employed when companies rely critically on the resources and/or capabilities of other players, and cannot simply purchase them on the market. These might include the expertise, on-the-ground networks, and catalytic financing of NGOs, donors, and development banks. Since the reputation and success of each partner is at stake if the other fails to comply with its commitment, formal alliance models, such as partnerships or joint ventures, are often required.
- **Platforms** are formal networks of potentially large numbers of players, established for a common purpose. Platforms can overcome free rider problems in the creation of public goods such as basic research or shared infrastructure. They can also organize collective action to overcome weakest links in tight-knit regional systems, such as agricultural value chains.

These structures are complementary, and companies often use them in combination, either sequentially or simultaneously. The cases studied reflect a range of possible combinations.

This paper provides a simple framework for companies to think about the strategic management of inclusive business ecosystems. Yet, much more remains to be done. This paper marks the next stage of an ongoing research workstream by the CSR Initiative at Harvard Kennedy School on the role of the corporate sector in international development. It will be followed by in-depth case studies to provide more concrete and practical insight on how to employ the strategies and structures described here.

Introduction

Poverty reaches two thirds of the world's population. Can inclusive business?

In 2001, C.K. Prahalad and Stu Hart spotted a possible "fortune at the bottom of the pyramid."[1] Most of the global population was poor, they pointed out – and their collective purchasing power was both significant and largely untapped by the mainstream business sector. Since then, great momentum has grown up around the concept of doing business with the poor. Companies have begun to engage those at the base of the global income pyramid as consumers, retailers, distributors, and suppliers, expanding access to goods, services, and livelihood opportunities for those who need them most. Donors, impact investors, consulting firms, and research institutions have developed a range of offerings to support companies in their efforts.

Doing business with the poor – now commonly called "inclusive business" – is doubly intriguing. On one hand, it offers the potential to drive business innovation and growth. And on the other hand, it offers the potential to drive development impact sustainably and at scale.[2]

Unfortunately, relatively few companies have managed to realize inclusive business' potential for business growth and development impact at scale.[3] This hasn't been for lack of effort. The United Nations Development Programme (UNDP) has compiled a database of more than 1,000 inclusive business initiatives, for example, and the Monitor Group has identified more than 600 such initiatives in India and Africa alone.[4] But most remain small and relatively isolated examples; few inclusive business models have achieved scale or the financial success necessary to inspire replication beyond a small circle of dedicated pioneers.

We believe it is time for a new unit of analysis and action. Over the course of ten years of research in this field, we have seen companies be deliberate, strategic, and often very creative in developing inclusive business models. **To tackle the barriers to scale, companies must be equally deliberate, strategic, and creative about cultivating the *inclusive business ecosystems* on which those models depend.**

Base of the pyramid markets are plagued by challenges like low levels of education, inadequate infrastructure, poorly designed or enforced regulation, and more. These challenges are often too systemic to address through business model innovation alone. Certainly nowhere in the developed world do we expect business ingenuity to substitute for a well-functioning market environment. Inclusive business models can compensate for gaps in the market environment, or work around them, but inclusive business ecosystems – spanning a wide range of market players in business, government, and civil society – can actually overcome them. Inclusive business ecosystems thus play a critical role in the cost structure, performance, and potential for scale and development impact of individual inclusive business models.

In fact, inclusive business ecosystems have been critical enablers in some, if not all, of the inclusive business models that have reached scale. One of the most famous cases, described in Prahalad's 2004 book on base of the pyramid business,[5] is Aravind Eye Care in southern India. Aravind treats 2.5 million patients and performs 300,000 eye operations every year. Even though many of its patients are unable to pay, the hospital has a solid profit margin. That margin could only be achieved by strengthening the whole ecosystem around the core business to enable extreme efficiency and overcome barriers to scale. That ecosystem includes a lens manufacturing joint venture, research and training institutes, and civil society groups that organize patient screening events in rural areas.

It is not surprising, therefore, that the importance of ecosystems has surfaced in much of the literature about inclusive business models. As Prahalad noted in his book, "The need for building an ecosystem for wealth creation and social development at the BOP is obvious."[6] Prahalad's colleague and co-author of the 2002 *Harvard Business Review* article "Serving the World's Poor, Profitably," Dr. Allen Hammond, has written about "[building] an entire ecosystem to support scale, rather than just a stand-alone venture."[7] He describes a number of strategies for "expanding the scope of the venture creation activity beyond traditional definitions that focus tightly on the business itself in order to gain allies, supporters, innovations, and new solution modes and thus better cope with the difficulties of BOP venture creation."[8] In other work, the UK's Department for International Development (DFID), the Swiss Agency for Development and Cooperation (SDC), and other donors have generated extensive know-how on making markets work for the poor;[9] the CSR Initiative at Harvard Kennedy School has conducted research on the role of the private sector in systems-strengthening;[10] UNDP's research has highlighted the roles of companies and other players in developing inclusive business models;[11] and a United Nations Global Compact working group, led by Unilever, has begun to look at "transformational partnerships" to "create impact at a systemic level across sectors and geographies."[12]

As work on inclusive business models has progressed, the need for systemic approaches has become more and more apparent. More analysis and practical guidance are needed. This framing paper aims to build on the literature to date, focusing explicitly on inclusive business ecosystems and how they can be created and improved. It begins by showing how companies must strengthen those ecosystems to tackle the barriers to scale they face when developing inclusive business models. It then moves on to discuss a range of strategies and structures companies are using to build better-performing inclusive business ecosystems. The paper thus makes three main contributions to the development of more successful inclusive business models:

- It broadens the perspective from the inclusive business model to the inclusive business ecosystem, the critical unit of analysis for companies seeking to scale even under the difficult market conditions at the base of the pyramid;
- It identifies cross-cutting strategies companies can use to strengthen inclusive business ecosystems; and
- It introduces a simple framework consisting of three generic structures that companies can use to organize the ecosystems around them, and shows how those structures can be combined over the course of starting and scaling an inclusive business model.

As a field, we are in the early stages of understanding how to build and manage such ecosystems, and some of the most intriguing approaches are relatively new. Some have yet to generate tangible results, not to mention longitudinal data that would lend itself to a rigorous impact evaluation. Nevertheless, now is the time to begin reflecting on experience to date and distilling lessons learned. Inclusive business leaders would do well to get ahead of the curve.

Box 1. **Methodology**

This paper builds on complementary strands of research by the CSR Initiative (CSRI) and the authors individually on inclusive business models and the role of the private sector in systems-strengthening.[13] It captures the findings of a first phase of work under a new CSRI workstream focused on inclusive business ecosystems.

We began this research with a literature review of inclusive business, business partnerships for development, and to a lesser extent, business ecosystems and systems theory. From the literature, we compiled a list of more than 170 initiatives in which companies were working either to start or scale inclusive business models (i.e., business models offering goods, services, and livelihood opportunities to the poor in commercially viable ways). We selected 15 initiatives for which we could gather sufficient information on ecosystem-level dynamics through secondary research (see full list in the appendix). We analyzed how the companies involved in these 15 initiatives worked to create or strengthen those eco-systems – identifying cross-cutting strategies and developing a typology of structures employed.

It is important to note that relatively few existing inclusive business case studies look in depth at inclusive business ecosystems, their dynamics, and how companies manage them. Primary research is necessary, and will be the focus of a second phase of work by the CSR Initiative in this area.

Understanding Inclusive Business Ecosystems

In a McKinsey Award-winning Harvard Business Review article in 1993, business strategist James F. Moore introduced the concept of a business ecosystem. "Even excellent businesses," he observed, "can be destroyed by the conditions around them."[14] He suggested that in order to remain competitive, executives had to learn how to cultivate and manage those ecosystems just as well as they cultivated and managed their own businesses.

The same observation applies to inclusive business models – they can be destroyed by the conditions around them. Base of the pyramid markets are plagued by systemic challenges like low levels of education, inadequate infrastructure, poorly designed or enforced regulation, and more. These challenges are well documented. For example, UNDP has identified five primary constraints in the market environment: a lack of market information, ineffective regulatory environments, inadequate physical infrastructure, limited knowledge and skills, and limited access to financial services.[15] In their work on making markets work for the poor, DFID and SDC divide the market environment into rules (including regulations, social and cultural norms, and voluntary standards) and supporting functions (including information, skills, and financial services).[16] There can be gaps in any of these categories.

These gaps can stunt the growth of inclusive business models. Consider, for example, that:

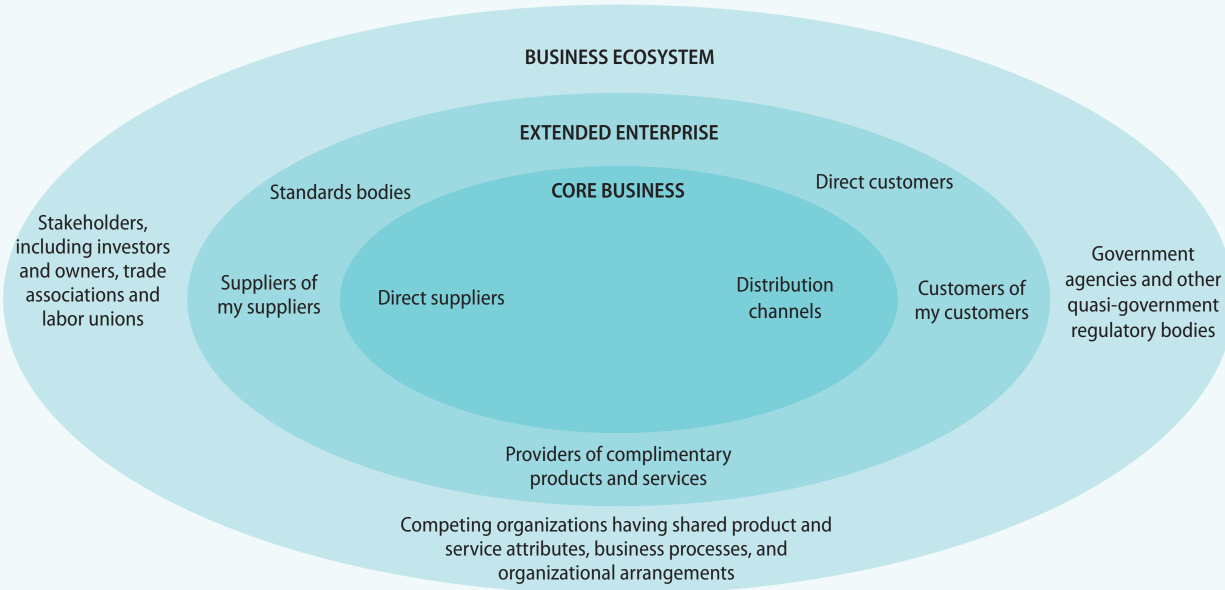
- Sourcing from smallholder farmers is only a sustainable, scalable strategy if those farmers know how to produce to the buyer's specifications; if agro-dealers stock and sell the inputs they need at affordable prices; if banks and other financial institutions offer credit to finance the production cycle; and if consumers are willing to pay what it costs to produce this food.
- Mobile phone-based payments will only reach scale if a critical mass of consumers, retailers, service providers, and employers understand the benefits; if users can "cash in" and "cash out" conveniently at a wide range of locations; if the technology and physical infrastructure are robust; and if the government regulates it appropriately, striking the right balance between financial inclusion, consumer protection, and overall stability of the financial system.

Inclusive business models must compensate for gaps in the market environment, or work around them. As a result, as the International Finance Corporation (IFC) and others have highlighted, many inclusive business models are "high-touch" – involving significant customer education; supplier, distributor, and retailer training; provision of financial services, even among non-financial institutions; and other tactics.[17] As the Monitor Group has pointed out, companies must organize the value chain end-to-end.[18] However, high-touch models are expensive. Without high operating margins or the ability to cross-subsidize to cover costs, companies may be unable to engage lower-income segments commercially at any kind of scale.[19]

Deliberately improving the ecosystems around inclusive business models can help overcome the market gaps that make those models high-touch, high-cost, and – all too frequently – small-scale. Moore defined a business ecosystem as:

> "an economic community supported by a foundation of interacting organizations and individuals – the organisms of the business world. The economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, suppliers, and other stakeholders [such as investors, trade associations, government agencies, and even competitors]. Over time, they co-evolve their capabilities and roles, and align themselves with the directions set by one or more central [organizations]."[20]

Figure 1. **Moore's Business Ecosystem**



Source: Moore, James F. (1996). The Death of Competition: Leadership and Strategy in the Age of Business Ecosystems. New York, NY: HarperCollins. Page 27.

Inclusive business ecosystems are functionally equivalent: they are **communities or networks of interconnected, interdependent players whose actions determine whether or not a company's inclusive business model will succeed.** These players typically include:

- **Individuals** purchasing goods and services as consumers, providing goods and services as producers, investing in businesses, and engaging in myriad other activities as employees and citizens.

- **Companies** engaging in research and development, commercializing new products and services, purchasing from and selling to other companies, providing financing solutions, investing in new operations and infrastructure, creating standards, competing against other companies, and lobbying the government (often together with other companies via associations).

- **Governments** adopting new policies and regulations, adjusting tax codes, and improving public services like health care, education, and in some countries, provision of energy, water, and sanitation.

- **Business associations, cooperatives, unions, standards bodies and other intermediaries** providing services such as information or access to markets to their members, and representing member interests towards others – above all the government.

- **Non-governmental organizations** raising consumer awareness and trust, setting environmental and social standards, changing social and cultural norms, informing government policy reform, and creating training facilities.

- **Public and private donors** building the capacities of farmers and producers, providing catalytic financing to companies and entrepreneurs, and advising governments on how to improve market environments.

- **Academic and other research institutions** undertaking on basic research that will ultimately benefit all players in a market, analyzing what works and what doesn't in either the business or policy spheres, creating knowledge that other actors may have neither the time nor incentive to do, and making sure it is disseminated.

- **The media and other trend-setters** raising awareness, influencing social and cultural norms, providing information, and creating momentum for change.

Both individually and collectively, these players can fulfill critical roles in tackling barriers for inclusive business models to scale, as depicted in Figure 2 below.

But each of the players in an inclusive business ecosystem has its own perspective, capabilities, goals, and incentives. How can a company encourage and enable them to act – whether individually or collectively – in ways that, together, pave the way for their inclusive business models to succeed? The question is equally relevant for donors, civil society organizations, and others hoping to accelerate the growth and development impact of inclusive business writ large.

Aligning and strengthening inclusive business ecosystems can be a complex process. That is why they typically evolve slowly. But far from accepting their ecosystems as given, companies can play active roles in helping them evolve faster and more deliberately, as the initiatives reviewed for this paper illustrate.

As a field, we are in the early stages of understanding how to strengthen inclusive business ecosystems, and some of the most intriguing approaches are relatively new. Yet patterns in the strategies and structures being used are beginning to emerge. We outline these in the following sections.

Figure 2. **Inclusive Business Ecosystem Players and their Roles**

BARRIERS TO SCALE		PLAYERS AND THEIR ROLES
Limited knowledge and skills among the BOP	→	**Companies, specialized firms, media outlets, development agencies, and NGOs:** education and training
Lack of market information	→	**Companies, specialized firms:** trial-and-error learning, market research
Ineffective regulation	→	**Governments, companies:** regulatory change, self-regulation
Inadequate infrastructure	→	**Governments, companies, contractors:** building infrastructure
Limited access to finance among the BOP	→	**Financial services companies:** business model innovation

Source: Barriers to scale sourced from UNDP (2008). "Creating Value for All: Strategies for Doing Business with the Poor." New York, NY: UNDP.

Strategies for Strengthening Inclusive Business Ecosystems

Inclusive business ecosystems involve many different players, each with different incentives and capabilities. Strengthening and aligning their actions can help inclusive business models reach greater scale and impact. This means raising awareness, encouraging experimentation, reducing cost and risk and the perceptions thereof, and often, building a new vision for what could be. While large donors and development finance institutions are doing important work in this regard, powerful leadership also comes from companies themselves.

Among the initiatives reviewed for this paper, we see companies using a number of strategies to encourage and enable other players to align their actions with the inclusive business models those companies are working to start and scale. These include BOP awareness-raising and capacity-building; research; information-sharing; public policy dialogue; and even creating new organizations to fill gaps in the ecosystem.[21] A number of these strategies are emphasized in existing literature on inclusive business models – most notably BOP awareness-raising and capacity-building, which target players participating at the core business level in those models.[22] That such strategies appear again and again shows the extent to which companies must influence and enable the ecosystems around their inclusive business models. An explicit ecosystem-strengthening approach can help companies achieve their goals more effectively and efficiently. Instead of reacting ad hoc to challenges in the market environment, companies can deliberately and strategically engage the players whose actions determine whether or not their inclusive business models will succeed.

Figure 3. **Strategies for Strengthening Inclusive Business Ecosystems**

BARRIERS TO SCALE	PLAYERS AND THEIR ROLES	STRENGTHENING STRATEGIES
Limited knowledge and skills among the BOP	**Companies, specialized firms, media outlets, development agencies, and NGOs:** education and training	**BOP awareness-raising and capacity building**
Lack of market information	**Companies, specialized firms:** trial-and-error learning, market research	**Research**
Ineffective regulation	**Governments, companies:** regulatory change, self-regulation	**Information-sharing**
Inadequate infrastructure	**Governments, companies, contractors:** building infrastructure	**Public policy dialogue**
Limited access to finance among the BOP	**Financial services companies:** business model innovation	**Creating new organizations**

Source: Barriers to scale sourced from UNDP (2008). "Creating Value for All: Strategies for Doing Business with the Poor." New York, NY: UNDP.

BOP awareness-raising and capacity-building: The BOP consumers and producers that inclusive business models seek to engage are fundamental parts of the inclusive business ecosystem. But encouraging them to act in new ways can be tough: people living in poverty have limited disposable incomes, savings, and social safety nets to fall back on. They may have learned to cope with the harsh realities of life by attributing them to nature, fate, or tradition – mental models that can make new behaviors seem risky or futile. Awareness-raising is needed to help consumers understand and value new products and services enough to change their purchasing patterns. Similarly, it is needed to convince suppliers, distributors, and retailers that changing their practices or introducing new products will really pay off. And once the benefits of a new product, service, or livelihood opportunity are clear, capacity-building approaches like financial literacy, skills training, and one-on-one coaching are needed to help BOP consumers and producers take full advantage of them.

Research: Most individuals and organizations only change their behavior when they have solid information about what they should do instead, why, and how. This applies not only to BOP consumers and producers, but also to other companies, governments, donors, civil society groups, academic institutions, and other players. Credible research can help to meet this basic information need.

Research can help companies develop a vision and identify which players need to align their actions, and how. It can also enable those players to fulfill their new roles in the ecosystem – helping companies develop new business models, governments develop effective policies, and NGOs and specialized firms develop better techniques for educating and training consumers and producers at the base of the pyramid.

Information-sharing: Of course, research serves no purpose if insights are not actively, accurately, and reliably shared so players within the inclusive business ecosystem can make use of them. At the same time, research is not the only way of generating insights – practical experience and experimentation are just as valuable. Initiatives to strengthen inclusive business ecosystems use a range of information-sharing methods to ensure insights reach those who need them. These include standard communications tools like websites, newsletters, press releases and other forms of media outreach. But they also include opportunities for the players in an ecosystem to interact – not only sharing information and experience, but also getting to know one another, forming relationships of trust, and building and reinforcing a common vision. Far from simply being "talk shops," opportunities like conferences, workshops, and site visits play critical roles in aligning individuals and organizations that may not previously have had much exposure to one another.

Public policy dialogue: One very important – and often sensitive – form of information-sharing is public policy dialogue. On one hand, public policy and regulation can offer the stability and protection businesses need to plan and invest. But on the other hand, they can unintentionally stifle the innovation that inclusive business models depend on. Striking the right balance can be difficult for regulators with multiple priorities, diverse constituents, and difficult trade-offs to make. To do so, they need good information, and much of it must ultimately come from business itself.

Inclusive business models are new and evolving. Companies are the ones experimenting, bumping up against constraints, learning what consumers value and what problems their suppliers, distributors, and retailers have. But there can be mistrust among business, government, and the public. In response, some companies are inviting regulators "behind the scenes" to see how the business works and adjust their requirements in response. Others are engaging in dialogue together with bilateral or multilateral development donors, through business associations, or through neutral platforms involving a range of players across sectors.

Creating new organizations: In base of the pyramid markets, key players are often simply missing. These can include intermediary organizations like associations, unions, and other civil society groups; research and training institutes; certification bodies;

and complementary parts of a value chain such as local transportation companies or financial institutions willing to lend to the poor.

Taking on the roles of these missing players themselves can be costly for companies, and lead them away from their core competencies. Sometimes it is not even possible. For example, certification bodies need to be independent to be credible. As a result, companies sometimes create independent organizations to fill the gaps – contributing business planning, internal venture capital and other forms of catalytic financing, coaching, and sometimes even incubating these new players until they are ready to stand on their own.

Examples of these strategies in action follow in the next section, which introduces three different structures companies use to strengthen inclusive business ecosystems.

- Private initiative by an individual company;
- Project-based alliances between a company and one or more organizations;
- Platforms that allow many different players to coordinate with each other.

Structures for Strengthening Inclusive Business Ecosystems

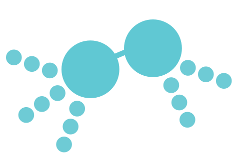
Companies are using the five strategies outlined above to influence players throughout the inclusive business ecosystem, encouraging and enabling them to change and align their actions in support of inclusive business models. Engaging the ecosystem is critical, because companies often lack the resources and capabilities required to overcome the barriers to scale on their own.

In the process, however, they often run up against incentive problems that prevent players from taking action – even when it would be in their own best interests, and the best interest of the ecosystem as a whole. For example:

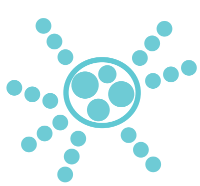
- In the absence of credible information sources and enforcement mechanisms like credit rating agencies, consumer protection bureaus, and contract enforcement systems in base of the pyramid markets, a company and its direct customers and suppliers may not trust that one another will pay or provide quality products and services. This may discourage them from entering what would have been mutually beneficial transactions.
- Whether a company's inclusive business model succeeds may depend on the actions of other players, which it cannot simply pay to do the job – like training by NGOs, financing by banks, and public policy work with governments by development agencies – and vice versa. No individual player will put its assets at risk unless it can trust that the others will hold up their ends of the bargain.
- Many different players may need to share resources and experience to create common goods like knowledge, new policy frameworks, intermediary organizations, and other market infrastructure. But the prospect that others will free ride discourages them from contributing their share.

Companies need structures appropriate to resolving the resource and capability constraints and the associated incentive problems they face. Among the examples reviewed for this paper, we identified three basic structures:

Private initiative by an individual company,



Project-based alliances between a company and one or more organizations, and



Platforms that allow many different players to coordinate with each other.

Private initiative is the default approach of companies seeking to strengthen their inclusive business ecosystems, because it enables them to move quickly with fewer transaction costs. However, it presumes sufficient resources and the necessary capabilities, and typically works best when incentive problems are limited to the company and its direct customers and suppliers – and can be addressed through payment and certification systems embedded in the business model. When the company's own resources and capabilities do not suffice, and when broader or more complex coordination problems exist, project-based alliances and platforms can be used. Project-based alliances, for example, help resolve incentive problems with other players through formal agreements that create legal or reputational liabilities for those that do not follow through. Platforms can help resolve the incentive problems that arise when large numbers of players need to cooperate. However, project-based alliances and platforms generally require significant investments of time and resources to manage.

It is important to emphasize that these three structures are complementary. Inclusive business ecosystem-strengthening is a complex, long-term process that unfolds on multiple levels. Multiple coordination problems usually exist, and as a result, we see multiple structures employed – either simultaneously or sequentially.

The remainder of this section summarizes each of the three structures in turn, indicating when to choose which one based on (1) the resources and capabilities available at firm level, within the company; and (2) the incentive problems facing the company in collaborating with other players in the inclusive business ecosystem. The section concludes by describing how the three structures are used in combination.

Like the strategies in the previous section, the structures in this section have been discussed in the business and development literature.[23] This is the first time, however, that these structures are discussed together as part of an overarching framework for strengthening the inclusive business ecosystems that inclusive business models depend on to scale. Elsewhere, the three structures are discussed independently, as distinct tools serving a variety of different purposes. This dedicated treatment provides valuable guidance on *how* to plan and implement each of the structures (though much remains to be learned in this regard, as well). The framework presented here, discussing the three structures together as complementary tools for a single purpose, provides guidance to companies on *when* to choose which model – and how to combine these models over time to strengthen inclusive business ecosystems.

STRUCTURE 1: **PRIVATE INITIATIVE**

What is it?

Definition: **An individual company.**

Examples:

- To scale up its mobile phone-based money transfer service, SMART Communications in the Philippines had to educate consumers and convince them the system was safe; persuade thousands of retailers to accept mobile payments; and interest a bank in holding large numbers of tiny deposits for low-income users. The company also collaborated with its main competitor and invited regulators "behind the scenes" to see its business operations and adjust the rules in response, rather than in advance – which could limit the company's flexibility.[24]

- Tiviski Dairy created a market for camel's milk in Mauritania by changing consumer mindsets; creating an independent, membership-based NGO to provide animal husbandry training, financing, and veterinary services to camel herders; and engaging the government to develop appropriate standards and administrative bodies.[25]

- Sulabh introduced pay-per-use toilet services in India, where it was difficult even to talk about sanitation, through traditional marketing and behavior change strategies to change prevailing mental models. To scale up, it set up a variety of independent research and training facilities that develop toilet designs for different budgets and locations; train masons capable of constructing them; and even incubate other toilet services providers.[26]

- Georgian NGO Begeli created an ecosystem around organic agriculture by founding a company to market organic products, a certification agency to assure consumers, and a trade union to support farmers. The organization has engaged in awareness-raising to influence consumer behavior and public policy dialogue to inform government regulation.[27]

When to choose it?

Private initiative is the default approach of companies, who typically prefer to move quickly, maintain control, and minimize transaction costs. Yet, it only works when a company has the necessary resources and capabilities within the firm, and where incentive problems can be resolved through standard business practices.

Resources and capabilities:

In the private initiative structure, it is the company itself that executes the strategies described in the previous section: BOP awareness-raising and capacity-building, research, information-sharing, public policy dialogue, and creating new organizations.[28] Therefore, the company's own resources and capabilities must be sufficient, or it must be able to acquire them on the market. These include staff, skills, budget, financing mechanisms, and relationships. A significant local market presence often helps.

For the private initiative structure to be effective, the company needs to have a core business interest in strengthening the ecosystem – whether an existing inclusive business model or the desire to develop one. Otherwise, it will be difficult to justify the investment of time and resources required for the length of time involved.

Incentive problems:

The private initiative structure depends on a clear business value proposition that aligns the interests of many different players. This value proposition is embodied in a product or service offering that customers value enough to pay for; that creates economic opportunities for suppliers, distributors, and other business partners; and that, by extension, government and other parts of society support. As a company works to start and scale the offering, these and other players respond in their own self-interest. Customers devote limited purchasing power to new uses, cutting down on other expenditures. Suppliers, distributors, and retailers experiment with new business processes or product mixes. The government adjusts tax policy, consumer protection laws, workforce development programs, and other relevant policies and programs as needed. Competitors are enticed to enter the market. Industry associations start to develop technical standards. Inclusive business ecosystems are created, grow strong, and evolve.

On its own, private initiative can only solve incentive problems between the company and those it does business with directly: suppliers and customers. These typically hinge upon the ability to verify product or service quality and the likelihood one party will pay the other. Where business in established markets can mostly rely on broad-based contract enforcement and quality assurance systems, inclusive business mostly happens in informal markets that typically do not offer these mechanisms. The private initiative structure – that is, the business – can resolve these incentive problems through:

- **Payment systems** that embed the solution into the product or service itself. For example, pre-paid services like SMART's mobile phone airtime or Sulabh's toilet facilities ensure that customers pay. In microfinance, where by definition borrowers pay after service is provided, social enforcement mechanisms like solidarity groups are often used.

- **Third-party certification** can help companies verify the quality of the products they sell and those they procure. People trust third-party certification bodies because they know it is in those bodies' own best interests to be accurate. If products are certified wrongly, the certification loses meaning, and the certifier goes out of business. A to Z Textile Mills in Tanzania has its anti-malarial bednets certified for quality and safety by the World Health Organization. Through its marketing company, Elkana, Begeli only sells produce certified as organic.

- **Technical assistance** for suppliers is often considered a sign of commitment by the company providing it. For example, Tiviski's initial investment in veterinary support through what would later become an independent NGO showed herders that they would not be left alone in difficult times and that they could rely on the income provided by the new company.

- **Project-based alliances** with players a company's BOP producers and consumers already trust can send a signal that the company, too, can be trusted (see next section).

STRUCTURE 2: **PROJECT-BASED ALLIANCE**

What is it?

Definition: **A project-based alliance brings two or more players together under a formal agreement to accomplish a certain objective within a set timeframe. It typically includes a project plan with well-defined roles and responsibilities, milestones, and monitoring and evaluation mechanisms that enable the partners to make course corrections as needed over the life of the project.**

Examples:

- BASF is partnering with German development agency GIZ to create food fortification and certification systems in a number of countries through the Strategic Alliance for Fortification of Oils and Other Staple Foods (SAFO). BASF shares manufacturing knowledge with local food companies and GIZ convenes government policymakers to develop supportive legal frameworks. The partners started by researching best practice fortification and certification systems, mapping stakeholders and their incentives, and planning concrete interventions accordingly.[29]

- As part of the Conservation Coffee Alliance, Starbucks agreed to give preferential buying status, better prices and contract terms to smallholder farmers that achieved specified levels of performance against the C.A.F.E. Standards for quality, social responsibility, and environmental sustainability. The company partnered with NGO Conservation International, which has specialized skills and relationships with farmer groups, to train the farmers, and with the US Agency for International Development, which contributed funding.[30]

- Project Nurture is an alliance between The Coca-Cola Company, its East African bottler Coca-Cola Sabco, the Gates Foundation, and the NGO TechnoServe intended to develop local supplies of mango and passionfruit in Kenya and Uganda, where the company had been struggling with a shortage of quality fruit for its growing juice business. Gates funds TechnoServe, which organizes farmers into producer business groups; provides them with agricultural extension services; and facilitates access to financing and markets. Coca-Cola contributes 50% of the total project cost, a market for some of the fruit produced, and an anchor effect that helps attract additional buyers.[31]

When to choose it?

Resources and capabilities:

While there is much companies can do to strengthen inclusive business ecosystems on their own, through private initiative, they cannot always do everything. Specialized and hard-to-replicate assets like local knowledge and relationships of trust may be required. Money may also be required – money that is hard to come by internally, because the financial return is too small or too uncertain to justify the investment.

Where a company cannot feasibly acquire the assets or resources required to strengthen the ecosystem sufficiently on its own, it must collaborate with players who can bring them to bear. These players can include other companies, NGOs, governments, public donors, and private foundations. Through project-based alliances, two or more players commit to carry out specific inclusive business ecosystem-strengthening activities either jointly (as in joint public policy dialogue with government) or individually, in a complementary fashion (for example, when one party conducts capacity-building and the other commits to source from those trained).

Incentive Problems:

Project-based alliances depend on clear alignment of interests among the players. This doesn't mean their interests have to be the same. Coca-Cola Sabco might join Project Nurture because it wants to develop its juice business, for example, whereas TechnoServe and the Gates Foundation join because they want farmers to double their incomes. Similarly, BASF could enter into SAFO to develop local markets for its micronutrient premix, whereas GIZ could join to improve nutrition and health outcomes in those markets.

While collaboration can be in the parties' own best interests, it can also create risk. Each party is putting important assets on the line and must trust that the others will hold up their ends of the bargain. For example, in Project Nurture, TechnoServe is contributing not only its technical capacity for agricultural extension work, but also its reputation and relationships of trust with farming communities. Those assets would be in jeopardy if Coca-Cola did not follow through on its commitment to purchase the fruit the farmers produced. Similarly, in SAFO, BASF's investment in sharing its fortification expertise with local food manufacturers would be at risk if GIZ did not follow through on its commitment to help governments develop regulatory frameworks that helped build consumer confidence and generate demand for fortified products – and, by extension, for BASF's premix.

Project-based alliances rarely get started unless there is already a significant level of trust among the parties. However, the alliance structure itself also helps resolve incentive problems through:

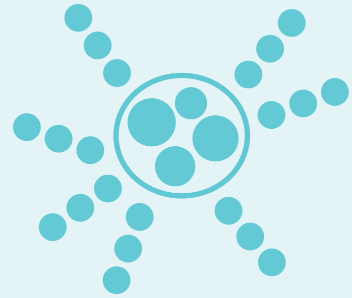
- **Formal agreements** that add credibility to the parties' commitments by creating reputational (and in some cases legal) liabilities for those that do not comply. Such agreements range from Memoranda of Understanding to Joint Ventures. With SAFO, for example, BASF and GIZ have entered a Public-Private Partnership (PPP) under the developpp.de program of BMZ, the German Ministry for Development Cooperation and Development. The alliance is formalized via a Memorandum of Understanding that clearly defines the joint objectives and the individual responsibilities of the partners.

- **Monitoring and evaluation mechanisms** that enable the parties to identify and address issues in real time, as they arise. In the case of SAFO, milestones and general project progress as defined in the MoU are regularly reviewed by a steering board. The board also provides direction to the initiative as it unfolds.

Project-based alliances can also help address broader and more complex incentive problems by establishing platforms as part of the project strategy and workplan (see next section).

STRUCTURE 3: PLATFORMS

What is it?



Definition: **A platform is a formal network structure in which potentially large numbers of stakeholders participate. While individual members may be more or less active at any given time, the network is generally dependent on the membership for strategic direction-setting, programming, and governance. Members often endorse certain principles and/or agree to comply with certain conditions, like paying membership fees or reporting periodically on their activities.**

Examples:

- The 600 companies participating in the Global Alliance for Improved Nutrition (GAIN) work to foster viable business models and sustainable public-private partnerships that improve nutrition in developing countries. The platform works on multiple levels, supporting companies to develop and pilot new business models and partnerships involving governments and NGOs; promoting and in some cases providing market infrastructure like knowledge, standards, and pooled purchasing facilities; and engaging government in public policy dialogue. Information-sharing is a critical role, enabling corporate partners to learn more quickly and from a wider pool of experience than they would be able to do on their own, thereby reducing the cost and risk involved in developing new nutritional products and distribution channels.[32]

- The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) Partnership counts nearly 30 members interested in fostering a modern, commercial agriculture sector offering expanded economic opportunities for smallholders in the corridor. It started with research to develop a detailed “blueprint” of investments that public and private players would need to make over the next 20 years in areas ranging from transportation infrastructure to processing facilities to agricultural input and financial services markets. The secretariat conducts research, shares information, and informs public policy dialogue to facilitate these investments. It is also raising capital for a Catalytic Fund that will help reduce the early-stage costs and risks.[33]

- The Better Cotton Initiative (BCI) aims to make cotton production more economically, socially, and environmentally sustainable. It has set a standard for sustainable cotton production and is now providing information-sharing and training to help both smallholder farmers and large buyers comply with it. The platform also coordinates national stakeholder councils to support implementation in each of its focus countries. It counts 13 members, including five major international cotton buyers.[34]

When to choose it?

Resources and capabilities:

Sometimes, only many players acting collectively are capable of strengthening the inclusive business ecosystem. This is typically the case where public goods, such as basic research or joint infrastructure, needs to be created. Collective action is also necessary where the success of one actor depends on the success of another, because activities are complementary. This is commonplace in closely-knit, geographically-based inclusive business ecosystems, like agricultural value chains and health or education systems. For example, building collection centers will not help a company increase local procurement if farmers cannot get access to the fertilizers, irrigation, transportation equipment or know-how to improve productivity – or if relevant inputs are available, but they cannot get a loan.

Platform structures are built to accommodate large numbers of participants and last for extended periods of time. Their objectives are typically broad and aspirational, like ending malnutrition or fostering agricultural development. Broad objectives allow for priorities, workplans, and activities to change over time as the original challenges are resolved and new ones arise. It is frequently impossible to predict how the process of ecosystem strengthening will unfold, so it is important that the agenda be allowed to evolve based on experience and research.

Incentive problems:

Collective action to create public goods or to improve highly interdependent systems of actors is tough to organize, because no player has an incentive to change unless the others do, too.

Free rider problems can prevent companies from investing in shaping or building public goods, like regulation, voluntary standards, social and cultural norms of behavior, and knowledge. It is hard to prevent any one player from benefiting from public goods once they are in place – giving all players the incentive to take advantage of them without contributing to the cost. Knowledge can, of course, be kept private. But in cases where significant effort is required to research, test, and discover what works – and then that knowledge can easily be observed and replicated by others in the marketplace – it makes sense to make it a joint effort and share the cost as widely as possible. At the same time, companies benefit from pooling their experiences, learning faster than they would have if they had access to their own experiences alone.

Collective action is also required if the whole chain is only as strong as its weakest link, as is often the case in regional value chains or health and education systems. Then it makes sense for actors to join forces and remove barriers to efficiency. But again, the risk of free riders and of players not sticking to their commitments can stifle such efforts.

Platforms can address incentive problems like these through the following mechanisms:

- **Membership systems** that pool resources and information through annual fees and reporting requirements. Membership systems also create positive social pressure that attracts additional players to join, and incentivizes them to comply in order to avoid being excluded from the group. Platform members may also be asked to endorse principles reflecting common interests and values, which can help to build trust. GAIN, for example, screens businesses that apply for membership for their commitment to fight malnutrition on a sustainable basis.

- **Intermediation** that facilitates information flows among the players involved, giving them the confidence to act when their success depends on what others are doing. Staff of the newly-established SAGCOT secretariat, for instance, will meet regularly with businesses and investors to let them know about other investments being considered, make connections, and facilitate partnerships. They will also reach out to attract new investors where there are gaps in the value chain.

- **Catalytic financing** that enables players to take action by providing resources and/or reducing risk when the returns are long-term or uncertain. SAGCOT is raising a Catalytic Fund that will provide early-stage patient and concessional financing for investments in farms, storage and processing facilities, and transport and logistics hubs in Tanzania's Southern Corridor.

All these mechanisms require a significant amount of coordination, especially in platforms with many members. For this reason, all of the platforms reviewed for this paper included an independent secretariat function performed either by a neutral party or a dedicated organization. These secretariats communicate with members, represent the initiative to the outside world, and raise such funds as may be required after any membership fees are taken into account. They coordinate individual and collective action by members to strengthen the inclusive business ecosystem, and sometimes develop and execute concrete projects themselves, such as research.

COMBINATIONS OF STRUCTURES

It is important to emphasize that the three structures described above are complementary. Inclusive business ecosystem strengthening is a complex, long-term process that unfolds on multiple levels. In addition, multiple coordination problems usually exist. As a result, we see companies using multiple structures – either simultaneously or sequentially. Among the 15 cases analyzed for this paper, we found many possible combinations.

Some companies utilize project-based alliances or participate in platforms first to prepare the ground for inclusive business models. Once the foundations have been laid, they can continue strengthening the inclusive business ecosystems around those models through private initiative. BASF, for instance, is engaged in a **project-based alliance** with GIZ to strengthen food fortification ecosystems in various countries. BASF's role is to provide technical expertise, especially to local staple food producers; GIZ's role is to advise the public sector on supportive regulatory frameworks and to facilitate multi-stakeholder dialogue. Together, the partners organize all relevant national stakeholders in a **platform structure** – building on existing national platform structures where they exist. These platforms create food fortification standards and labeling systems that send quality signals to consumers. This helps generate demand for fortified products, thus creating the market for all industry players. As the market develops, BASF can pursue further ecosystem strengthening through **private initiative**, in the process of selling Vitamin A and other micronutrients.

Similarly, the companies participating in GAIN use its **platform structure** to build the knowledge and relationships they need to develop inclusive business models offering nutritious foods faster and more effectively than they could do on their own. Under GAIN's auspices, a company may choose to engage in a **project-based alliance** with other members and stakeholders to pilot and refine a new model. While that alliance may dissolve when the pilot concludes, if it is successful, the company can continue to strengthen the ecosystem through **private initiative** – and will likely remain involved in the GAIN platform.

Companies that have already initiated inclusive business models often begin strengthening the inclusive business ecosystems around them through private initiative. Along the way, they may discover the need to utilize project-based alliances or participate in platforms to meet specific needs or address broader challenges than they are capable of doing on their own. For example, Norwegian fertilizer company Yara began laying the foundation for fertilizer sales to smallholder farmers in Tanzania through **private initiative** to strengthen the inclusive business ecosystem – engaging in public policy dialogue, funding outreach to farmers, and making multi-million dollar improvements to port infrastructure. The company quickly realized that fertilizer sales were vulnerable to weak links throughout the agricultural value chain, and at the government policy level as well. It played a major role in setting up the SAGCOT **platform** in response. At the same time, the company is working to improve smallholder productivity while minimizing environmental impact through a **project-based alliance** with fellow agricultural input company Syngenta and donors DFID and Norad.

More research is required to understand how companies combine the different structures, and the interdependencies among the different structures over time. It is also critical to understand how other players can help enable, facilitate, and implement them. Both questions will be explored through in-depth case studies in the next phase of our research.

Outlook

This framing paper has suggested that to tackle the barriers to scale, companies need to strengthen inclusive business ecosystems just as deliberately and strategically as they develop their inclusive business models. It has shown that companies are already playing powerful leadership roles in this regard, and presented the strategies and structures they are using to do it.

Yet we are in the early stages of building the knowledge base, and corporate leadership at the ecosystem level is not yet as widespread as it needs to be given the extent of the business opportunity and development impact that hang in the balance. Companies interested in starting and scaling inclusive business models must find ways of looking beyond their core business operations and value chains, and use longer-term, market-creating approaches. We recommend that such companies:

- **…take an ecosystem view.** When starting to do business in the context of poverty, ask yourself how the landscape needs to change for your business to grow and achieve widespread impact. In areas where there is no business case yet, ask yourself what would need to change to create it. Don't assume current conditions as given.

- **…develop the skills, staff roles, and organizational arrangements needed to execute ecosystem-strengthening strategies.** BOP awareness-raising and capacity-building, research, information- sharing, public policy dialogue, and creating new organizations may not be "business as usual" for your company. Provide your staff with opportunities to acquire relevant skills before and while implementing inclusive business projects. Think about new staff roles and organizational arrangements that would make strategies to strengthen inclusive business ecosystems easier to implement next time around. Do you need a long-term business development or market creation manager? An internal venture capital or philanthropic challenge fund? A dedicated investment review process or set of metrics for longer-term plays?

- **…learn to identify the right ecosystem-strengthening structures at the right times.** Do you really need a project-based alliance, or could you drive change through your business? Is a project-based alliance the best to lay the foundations for an inclusive business model, or do you need a platform to pool knowledge or create shared market infrastructure? As your needs change, consciously manage the transition from one structure to the next. Learn to manage different structures simultaneously, and the interdependencies between them.

The inclusive business ecosystem concept has implications for donors, governments, and civil society groups too. There is much that other players can do to encourage companies to participate and take leadership in ecosystem-strengthening initiatives. For example, donors can provide catalytic financing and other forms of support that help companies engage in newer, riskier, and/or longer-term activities. They can intensify their support for platforms, recognizing the enormous value of intermediation in making ecosystems work better. Bilateral and multilateral donors, specifically, can link their efforts to support inclusive business models more closely to the policy work they are doing with governments. Governments can create open, transparent forums for public policy dialogue with companies on inclusive business issues.

The research conducted for this framing paper has shown us that there is a richness of experience to be tapped, documented, and distilled to develop practical guidance for companies – and other players – interested in strengthening inclusive business ecosystems. Moving forward, the CSR Initiative will be conducting in-depth, primary research into the strategies and structures presented here. It is our hope that more practical guidance on strengthening inclusive business ecosystems will make it easier for companies to address gaps in base-of-the-pyramid market environments and, as a result, take their inclusive business models to scale. That scale is still badly needed – not only to build new areas of growth in an era of global recession, but also to create economic opportunity and better standards of living for four billion people living in poverty worldwide.

Endnotes

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3 This has been observed in the literature by a range of inclusive business thought leaders, including Allen Hammond of Ashoka, Erik Simanis of Cornell University, Ashish Karamchandani and Michael Kubzansky of Monitor Group, and others.

4 More than 170 of the cases identified by the UNDP are available at www.growinginclusivemarkets.org. See also Karamchandani, Ashish, Michael Kubzansky, and Paul Frandano (2009). "Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty" and Kubzansky, Michael, Ansulie Cooper, and Victoria Barbary (2011). "Promise and Progress: Market-Based Solutions to Poverty in Africa." Monitor Group.

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10 See inside back cover for a list of relevant CSR Initiative publications; full text versions of all can be found at http://www.hks.harvard.edu/m-rcbg/CSRI/

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13 Much of this work on inclusive business models has been conducted by CSRI and the authors individually in partnership with IFC and UNDP. See inside back cover for a list of relevant CSR Initiative publications; full text versions of all can be found at http://www.hks.harvard.edu/m-rcbg/CSRI/. Other relevant publications written by the authors include, inter alia, UNDP (2008). "Creating Value for All: Strategies for Doing Business with the Poor." New York, NY: UNDP; Gradl, Christina, Sahba Sobhani, Afke Bootsman, and Austine Gasnier (2008). "Understanding the Markets of the Poor: A Market Systems Approach to Inclusive Business." In P. Kandachar and M. Halme (eds.) Sustainability Challenges and Solutions at the Base-of-the-Pyramid: Business, Technology and the Poor. London: Greenleaf; UNEP (2009). "Towards Triple Impact – Toolbox for Analysing Sustainable Ventures in Developing Countries." Paris: UNEP; Gradl, C., Krämer, A. and Amadigi, F. "Partner Selection for Inclusive Business Models: The Case of Casa Melhor." *Greener Management International,* Issue 56, May 2010; Gradl, Christina (2009). "The Womens' Health Initiative as a Business Model for Poverty Alleviation." In Martina Timmermann and Monika Kruesmann (eds.) Partnerships for Women's Health – Striving for Best Practice within the UN Global Compact. Tokyo: United Nations University Press; Jenkins, Beth, Eriko Ishikawa, Alexis Geaneotes, and John Paul (2010). "Inclusive Business: Expanding Opportunity and Access at the Base of the Pyramid." Washington, DC: IFC; UNDP (2010). "The MDGs – Everyone's Business." New York, NY: UNDP; GIZ/BMZ (2011). "Fast Growth and Big Impacts: How Emerging Market Multinationals are Advancing Sustainable Development." Berlin: BMZ; Bertelsmann Stiftung (2011). "Partners in Development – How Donors Can better Engage the Private Sector for Development in LDCs." Güthersloh: Bertelsmann Stifting; and IFC (2011). "Accelerating Inclusive Business

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18 Karamchandani et al (2009).

19 IFC (2011).

20 Moore (1996), page 26.

21 Many of these strategies are discussed in earlier CSR Initiative work on the role of companies in strengthening the systems that offer economic opportunity to the poor, which focused on four primary and complementary approaches: creating inclusive business models, developing human capital, building institutional capacity, and optimizing the "rules of the game." See Jenkins, Beth (2007). "Expanding Economic Opportunity: The Role of Large Firms." CSR Initiative Report No. 17. Cambridge, MA: Harvard Kennedy School.

22 Almost all major publications on inclusive business emphasize the need for awareness-raising and capacity-building among the BOP suppliers, distributors, and retailers, companies hope to engage. Among others, see IFC's discussion of tactics for "changing mindsets and behaviors to unlock demand," including aspirational marketing, value demonstration, community networks, and training in Jenkins, Beth, Eriko Ishikawa, Alexis Geaneotes, and John Paul (2010). "Inclusive Business: Expanding Opportunity and Access at the Base of the Pyramid." Washington, DC: IFC. UNDP (2008) contains a discussion of the need to engage in public policy dialogue around inclusive business models.

23 "Private initiative" structures are typically subsumed under inclusive business models, where no difference is made between models that take an ecosystem approach and others that take a more conventional, core business-focused approach. "Project-based alliances" are discussed in the broader literature on partnership, which covers collaborative approaches of many different types for many different purposes – including organizing inclusive business ecosystems. "Platforms" are discussed as multi-stakeholder partnerships or networks, which can again serve a variety of purposes, among which ecosystem-strengthening is just one.

24 The Economist (2007). "Mobile Banking: A Bank in Every Pocket?" Online at http://www.economist.com/node/10133998 (accessed August 13, 2011). Also see UNDP (2008), page 96.

25 Gaye, Mamadou (2007). "Tiviski Dairy: Africa's First Camel Milk Dairy Improves the Livelihoods of Semi-Nomadic Herders in Mauritania." New York, NY: UNDP Growing Inclusive Markets.

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Appendix: Examples reviewed in depth for this paper

Initiative (regional focus, dominant structure)	**Objective**	**Results**
A to Z Textiles Tanzania Private Initiative	• Sell insecticide-treated bednets	• Produces 30 million nets per annum • Employs around 7,000 people, most of whom are women, whose wages are estimated to support approximately 25,000 dependents
Begeli Georgia Private Initiative	• Create a market for organic food products	• 400 farmers sold directly to Begeli as of 2008, earning higher incomes from a reliable market • Turnover of $33,500 in 2008
Better Cotton Initiative *(Tesco, IKEA, Adidas, Gap, H&M, SIDA, SECO, ICCO, WWF, Solidaridad, CottonConnect, Abrapa)* Brazil, India, Pakistan and West & Central Africa (Benin, Burkina Faso, Cameroon, Mali, Senegal, Togo) Platform	• Promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more economically, environmentally, and socially sustainable	• 68,000 farmers grew "better cotton" during the 2010-2011 season in India, Pakistan, and Mali
Conservation Coffee Alliance *(Starbucks, USAID, Conservation International)* Costa Rica, Panama, Mexico Project-Based Alliance	• Promote sustainable coffee-farming practices that fairly compensate growers, restore and protect rain forests, and supply a growing market for quality coffee beans	• In 2007, approximately 140,000 participating small farms benefited from increased coffee prices • More than 820,000 workers had benefited from social best practices • Starbucks committed to apply C.A.F.E. standards to all coffee purchasing by 2015
eChoupal *(ITC Ltd)* India Private Initiative	• Strengthen the supply chain and improve prices both for ITC and for farmers	• 6,500 eChoupal kiosks reach over 4 million farmers growing a range of crops in over 40,000 villages in 10 states • Farmers access a variety of services via the kiosks, from agricultural inputs to insurance
EDF Energy Access Program *(EDF, Total, World Bank, UNDP, UNEP, bilateral donors and NGOs)* Argentina, Mali, Morocco, South Africa Private Initiative	• Provide energy in developing countries, improve rural and peri-urban development, and promote renewable energy technologies	• In Morocco, 24,800 rural households totaling 170,000 people with access to solar electricity in Morocco as of June 2007 • In Mali, 24 villages totaling 40,000 people with access to electricity as of 2006
Global Alliance for Improved Nutrition (GAIN) *(GAIN, Gates Foundation, CIDA, USAID, Children's Investment Fund Foundation, and 600+ companies)* Global Platform	• Reduce malnutrition through sustainable strategies and innovative partnerships aimed at improving the health and nutrition of populations at risk, particularly women and children	• 400 million people in 25 countries reached with GAIN products

Appendix: Examples reviewed in depth for this paper

Initiative (regional focus, dominant structure)	**Objective**	**Results**
Mars Partnership for African Cocoa-Communities of Tomorrow (iMPACT) *(Mars, Africare, International Cocoa Initiative, International Foundation for Education and Self-Help, Rainforest Alliance, Sustainable Tree Crops Program, GIZ)* Ghana, Cote d'Ivoire Project-Based Alliance	• Contribute to the development of cocoa farming in Ghana and Côte d'Ivoire as a profitable, socially rewarding and environmentally sustainable livelihood	• Better cocoa quality, significantly increased productivity, and consequently higher incomes (up to 30-40%) • More than 70% of participating smallholders have adopted sustainable agricultural practices • Improved living conditions for approximately 40,000 people
Project Nurture *(The Coca-Cola Company, Coca-Cola Sabco, the Gates Foundation, TechnoServe)* Kenya, Uganda Project-Based Alliance	• Double the fruit incomes of 54,000 mango and passionfruit farmers in Kenya and Uganda	• Published results information not yet available
Smart Communications Philippines Private Initiative	• Provide mobile money services	• 24.2 million subscribers by the end of 2006, mainly from the low-income market • At least US$50 million remittances per month as of 2008 • Cost of sending remittances 1.2-8%, down from 45%
Southern Agricultural Growth Corridor of Tanzania (SAGCOT) *(local and global companies, government, development agencies)* Tanzania Platform	• Catalyze agricultural development in the Southern Agricultural Corridor region of Tanzania	• Secretariat established • Key financial commitments made for catalytic fund
Strategic Alliance for the Fortification of Oils and Other Staple Foods (SAFO) *(BASF, GIZ)* Indonesia, Uzbekistan, Tanzania, Bolivia, Brazil Project-Based Alliance	• Improve nutrition for 100 million people in 8 target countries by 2011	• Several million people buy micronutrient fortified products
Sulabh India Private Initiative	• Improve health and hygiene while providing more dignified livelihoods for waste scavengers	• Installed 1.4 million household toilets and operated 6,500 public pay-per-use toilets by 2006, with 10 million customers • Liberated 60,000 people from life as a scavenger • Trained 19,000 masons to build low-cost twin pit toilets using locally available material

Appendix: Examples reviewed in depth for this paper

Initiative (regional focus, dominant structure)	**Objective**	**Results**
Tiviski Dairy Mauritania Private Initiative	• Sell camel dairy products and provide a source of income for camel herders	• Created 200 direct jobs • 1,000 families supply camel milk • Sells 20 diary products at affordable prices • Herders experience fewer losses thanks to veterinary support, improved animal feed
Waste Concern Bangladesh Private Initiative	• Contribute to sustainable development through waste recycling, renewable energy, and job creation for the urban poor	• Generated 986 jobs for urban poor who collect and process waste, 70% women • Half a million customers across the country • Organic fertilizers increase yields by 30-50% • Reduced 17,000 tons of greenhouse gases between 2001-2006

About the Authors

Christina Gradl is an expert on inclusive business, an approach where companies include people living in poverty into their value chains for mutual benefit. She is a founder and director of Endeva, an independent think tank working towards business solutions for development. She is also a strategic advisor to the United Nations Development Programme's Growing Inclusive Markets Initiative and a fellow at the CSR Initiative, Harvard Kennedy School.

From the beginning, Christina has taken a systemic perspective in her work on inclusive business, considering the ecosystems of actors involved, their individual incentives and how those can be aligned. Christina has co-authored numerous publications in this area. With UNDP, she developed "Creating Value for All: Strategies for Doing Business with the Poor," "The MDGs: Everyone's Business," and "Business Solutions to Poverty: How inclusive business models create opportunities for all in Emerging Europe and Asia." Other publications include Endeva's "Inclusive Business Guide" and "Towards Triple Impact: Toolbox for Analyzing Sustainable Ventures in Developing Countries," commissioned by UNEP.

Christina was the Kofi Annan Fellow on Global Governance in 2006-07 and an associate with McKinsey & Company. She holds an MSc in Philosophy of Public Policy from London School of Economics and a Masters degree in International Business and Regional Studies from the University of Passau, Germany. She is currently completing a PhD in economics at the University of Halle-Wittenberg, Germany, on the business model concept.

Beth Jenkins has spent more than 10 years researching and advising companies on inclusive or base-of-the-pyramid business models. She is a fellow of the Corporate Social Responsibility Initiative at the Harvard Kennedy School and a consultant to the International Finance Corporation's Inclusive Business Models Group.

Before becoming a fellow, Beth directed the CSR Initiative's Economic Opportunity Program, analyzing, documenting, and disseminating inclusive business activity together with partners such as the International Finance Corporation, United Nations Development Programme, World Business Council for Sustainable Development, and NGOs and companies around the world. She authored and edited eight reports in the CSR Initiative's Economic Opportunity Series, including a cross-cutting analysis and seven industry studies in the extractives, financial services, food and beverage, information and communications technology, health care, tourism, and utilities sectors. She has developed six inclusive business reports with IFC and co-authored the UNDP publication "Creating Value for All: Strategies for Doing Business with the Poor" with Christina Gradl.

Earlier in her career, Beth was responsible for developing and disseminating risk management concepts and capabilities at Booz | Allen | Hamilton, with special emphasis on the strategic risks companies face as a result of social, environmental, and international development issues. She also spent five years working on base-of-the-pyramid business models in the information and communications technology and housing sectors at the World Resources Institute and Ashoka. She is a graduate of Yale University and the Harvard Kennedy School.

About the CSR Initiative at the Harvard Kennedy School

The Corporate Social Responsibility Initiative at the Harvard Kennedy School is a multi-disciplinary and multi-stakeholder program that studies and enhances the public role of private enterprise. The initiative explores the intersection of corporate responsibility, corporate strategy, and public policy, with a focus on analyzing institutional innovations that enhance governance and accountability and help to achieve key international development goals. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among different sectors.

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