

IDS

EVIDENCE REPORT

No 92

Reducing Hunger and Undernutrition

Business and International Development: Is Systemic Change Part of the Business Approach?

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August 2014

The IDS programme on Strengthening Evidence-based Policy works across seven key themes. Each theme works with partner institutions to co-construct policy-relevant knowledge and engage in policy-influencing processes. This material has been developed under the Reducing Hunger and Undernutrition theme.

The material has been funded by UK aid from the UK Government, however the views expressed do not necessarily reflect the UK Government's official policies.

AG Level 2 Output ID: 533

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First published by the Institute of Development Studies in August 2014
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List of Abbreviations

CDM	Kyoto Protocol Clean Development Mechanism
CSR	Corporate Social Responsibility
EBDA	Egyptian Biodynamic Association
FLO	Fairtrade Labelling Organizations International
GIM	Growing Inclusive Markets
IFC	International Finance Corporation
IRDC	International Research and Development Center
ITFC	Integrated Tamale Fruit Company
NFC	National Federation of Coffee Growers of Colombia
NGO	non-governmental organisation
RASA	Red de Agricultores Sustentables/Sustainable Farmers' Network
SME	Small and medium-sized enterprise
UNDP	United Nations Development Programme
WBCSD	World Business Council for Sustainable Development

1 Introduction

Systems thinking has started to appear within the discourse around ‘business and development’, as governments, donors and NGOs are increasingly seeking to leverage private initiatives to have broad impacts on development goals. Peter Senge (1990) describes ‘systems thinking’ as a framework for seeing interrelationships rather than things and for seeing patterns rather than static snapshots. In international development, systems change is based on the understanding that significant improvements in the outcomes of a targeted population (e.g. increased employment for landless labourers, more secure incomes for small-scale farmers) will not occur unless the surrounding system of interrelationships adjusts to accommodate the desired goals (Cohen and Lavach 1995, quoted in Foster-Fishman, Nowell and Yang 2007). While business and development encompasses a broad range of activities, one prominent area of focus is around ‘pro-poor business’. This is an approach that involves redesigning business models and processes to improve the lives of the poor as producers linked to value chains, as consumers of essential goods and services that are made available to previously underserved markets, or as employees.

The relationship between business and development initiatives and systemic change is the core focus of this paper. The key question is to explore whether and how pro-poor business approaches can go beyond individual company value chains, to drive shifts in broader market systems. This focus on systemic change does not imply that all business and development initiatives must target systemic change. A company may identify risks or opportunities that are specific to its business, which it can adequately respond to through its own operations. However, there is a growing sense that many of the problems being targeted by pro-poor business approaches are actually symptoms of deeper problems for which a more systemic solution is needed. This paper will draw on literature to better define what is meant by systemic change and to understand the elements, strategies and approaches that might be adopted in systemic change efforts. It will then apply this understanding to the analysis of a collection of pro-poor business case studies to draw some conclusions about the degree to which systemic change forms part of these initiatives. The overall purpose of the paper is to contribute to analysis, evidence generation and learning for development agents on the potential for business and development approaches to contribute to long-term poverty alleviation and development.

2 Background

Business is increasingly seen as central to international development, given the power of companies within markets and other systems that affect the lives of the poor. This assessment is supported by leaders from both the business world and the development world, who are applying a broad variety of approaches that aim to better align business activities with development goals (Humphrey *et al.* 2014). A great many of these efforts are led by companies, sometimes in partnership with others including NGOs and donors. There are many examples, including a database of 155 cases documented through the United Nations Development Programme's (UNDP) Growing Inclusive Markets initiative, 100 inclusive business examples within the International Finance Corporation's portfolio (Jenkins and Ishikawa 2010) and 600 cases identified by the Monitor Group (Kubzansky, Cooper and Barbary 2011).

However to date, many of these efforts have been relatively isolated – pilot projects led by an individual company or perhaps a partnership of organisations designed to improve the lives of a target population but largely disconnected from wider change. As Utting (2003) assesses in the context of business and labour rights issues, despite all the 'learning by doing', the corporate social responsibility agenda and activism have made only a slight dent in solving fundamental problems. This lack of significant impact is being raised as an issue across business and development and has led to pressure, including from within business, to generate, demonstrate and measure broader impacts. The World Business Council for Sustainable Development (WBCSD) has said,

More observers have begun to point out that relatively few inclusive business models have achieved the potential for scale. This holds true even for ventures developed by large multinational corporations, which might have been considered the ideal vehicles given their vast resources, efficient systems, and global reach.
(World Business Council for Sustainable Development 2013: 2)

While 'scale' is not the same as 'systemic change', the WBCSD is expressing the sense that not enough impact is being created. Research by the Harvard Kennedy School Corporate Social Responsibility Initiative finds that inclusive business projects have failed to reach their full potential because they have generally been carried out in isolation from broader efforts by other stakeholders to tackle deep problems or 'systemic barriers'.

It has become clear that for companies to maximise 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.
(Gradl and Jenkins 2011: 4)

Box 2.1 Systemic change vs scaling up

Many reports on pro-poor business, especially from the grey literature, call for companies to 'scale up' their impacts, with systemic change sometimes seen as a means to scale, as well as impact. Yet there is an important distinction to be drawn between systemic change and efforts to achieve scale.

Scale is about numbers. It is about increasing the size, amount or extent of a business and development approach, through working with large corporations that have a vast reach, through partnerships, or through replicating and multiplying results. The WBCSD (2013) describes scale as a combination of the number of people reached, geographic footprint, and sales or procurement volume. While economies of scale and return on investment are important for business, as they can determine whether ventures are commercially viable, scale implies nothing specific about development impact.

Systemic change is about transformation in the structure, dynamics and relationships of a system. Where business and development initiatives target systemic change this implies delving behind immediate problems or symptoms and tackling underlying causes to deliver tangible and enduring benefits with significant impacts on the material conditions or behaviours of large numbers of people, going beyond those directly involved in the initiative.

There is also a time element. Scale may be achieved in a (relatively) short period, but changes are not necessarily long-lasting. With systemic change, often the initial activities are niche, involving small and isolated impacts and unstable structures, which take a long time to strengthen and stabilise. However, where these innovations eventually drive systemic change, the result can be dramatic with lasting impacts over long time horizons.

Source: Adapted from Humphrey et al. (2014).

3 Systemic change

A 'system' is an interacting set of institutions, actors, activities, policies, resources, power structures, values and norms that collectively influence the behaviour of actors within that system, leading to a given situation or outcome. Understanding systems means looking beyond individual elements to identify the relationships and relational rules that affect how the system operates. Issues, challenges, approaches, or impacts that are 'systemic' affect most or all social agents of certain types within that system, rather than belonging to individual agents themselves (Harich 2010). For example, if a cooperative of farmers has poor market access because it cannot afford to transport produce to market and has to wait for traders to come to them, this is not necessarily a systemic challenge. However, if the cooperative lacks funds for a vehicle because of the way that credit markets operate in the country, then this may be a systemic issue that affects most farmers at a similar economic level. In the discussion of business and development, markets are an important type of system, with strong economic, but also political, social and cultural aspects. Markets are examples of 'complex adaptive systems', meaning that the individual parts of the system can respond and adapt to changes and events in unpredictable ways. Typical systemic market challenges related to business and development include poor market information systems, poor regulatory environment, lack of physical infrastructure, limited knowledge and skills, and lack of access to finance (United Nations Development Programme 2008).

Checkland (1981) argues that the properties of systems (e.g. the function or purpose of the system, definitions of problems related to the system, and relevant system boundaries) are defined in the perception of interested parties and may be experienced and understood differently by different stakeholders, based upon their position, role and experiences. Who is part of the system and what forces or factors should be taken into account are fundamental questions (Osorio-Cortes and Jenal 2013). In order to address systemic issues, it is therefore important to build mutual understanding around the system based on multiple and diverse perspectives, although even then this understanding will always be partial.

'Systemic change' implies transformation in the structure or dynamics of a system that leads to impacts on the material conditions or behaviour of large numbers of people (*ibid.*). Systemic approaches aim to catalyse change with spillover effects that have broader direct and indirect impacts (Ruffer and Wach 2013). Systemic change is rarely driven by one agent – although individual agents may undertake important activities that contribute to systemic change, by developing new, transformative innovations, for example, or by being part of the support network that develops and strengthens these innovations. Recognising systemic change in progress is not straightforward, since it involves changes not only in tangible outputs and products, but also and often more importantly in processes, relationships and attitudes or social norms, all of which may be difficult to observe in practice. Kessler and Sen (2013) provide some examples of what systemic market change might look like in private sector development programmes, including crowding in, copying, sector growth, backward and forward linkages, and indirect impacts.

Systemic change is also difficult to achieve consciously. It is generally non-linear and non-predictable, affected by factors such as 'feedback loops' and discontinuities. Feedback is a process of partially returning output back into a system so that when one parameter changes value, it forces a change in a second system parameter, which in turn forces a change in the first parameter. Positive feedback loops are reinforcing – they escalate change, meaning that small interventions in systems can lead to large changes, though generally with a significant time lag. Negative feedback loops act in the opposite way. They are balancing loops that create stability or stagnation and mean that large efforts may result in little systemic effect. Negative feedback loops are often difficult to detect, since when a negative feedback loop is operating, it appears that nothing is happening. Discontinuities are major events in a system

that provide opportunities for change, which would otherwise be resisted by existing system norms, resources, regulations and operations.

3.1 Multi-level perspective

Geels and Schot's (2007) 'multi-level perspective' helps identify ways in which systemic change takes place. Changes in systems, which they term 'socio-technical regimes', are influenced by both micro-level 'niche innovations' and by discontinuities driven by changes in the macro-level 'socio-technical landscape' in which the system operates. Since systemic change is difficult to achieve consciously, the focus of action is on these 'niche innovations' – programmes and activities that promote unique behaviours and which deviate in one or more dimensions from existing systems, often pioneered by entrepreneurs or other relative outsiders to the system.¹ Niche innovations create pre-conditions for systemic change but are generally insufficient to catalyse change on their own, requiring discontinuities that can destabilise the system and overcome negative feedback loops and path dependence (Unruh 2000). Destabilising events come through changes in the macro landscape that create pressure on the existing system and windows of opportunity for niche innovations to take hold.

Not all niche innovations threaten the system, however. Some innovations are simply incremental improvements to processes and products that may form part of systemic change, but which are not a driving force. Freeman and Perez (1988) set out a clear distinction between these incremental innovations and more radical approaches that can have systemic impacts (Table 3.1). Incremental innovation focuses on continuous change and improvements in quality, efficiency and reaching scale; while radical innovation is discontinuous and involves changes in multiple aspects of product, process and organisation.

In addition, most radical innovations are embryonic – low-performing, with small and unstable communities of actors, poorly developed structures, and rules that are poorly articulated and understood (Geels and Schot 2007). Only those innovations that develop and become more stable are positioned to take advantage of windows of opportunities created by pressures on the existing system. Geels and Schot (2007) propose the following proxies as reasonable indicators for the stabilisation of viable niche innovations that are ready to break through more widely:

- The stabilisation of learning processes in a dominant design;
- The appearance of powerful actors as part of the support network;
- Price/performance improvements, with strong expectations of further improvement;
- The use of the innovation in market niches that together amount to more than 5 per cent of market share.

¹ Dominant system actors may also engage in niche innovation as hedging or diversification strategies that are intended to maintain the status quo.

Table 3.1 Characteristics of incremental vs radical innovation

Incremental	Radical
Continuous change in response to a variety of pressures and opportunities	Discontinuous elements
Not a result of research and development but of proposals by users or engineers of a technology	Usually the result of deliberate research and development efforts
Improvements in efficiency, quality or reaching scale	Often involving multiple innovations in product, process and organisation
No single incremental change has dramatic impact	May have dramatic effects over decades, but economic impact is usually small and isolated in the short term
Improve productivity over time	Potential springboard for new markets

Source: Adapted from Freeman and Perez (1988).

4 Systemic change and pro-poor business

There is a broad literature, particularly written as case studies or guides for practitioners, on pro-poor business approaches. These present learning about what works and where the challenges lie and discuss how to achieve greater impact (for example, GIZ 2013; Kubzansky *et al.* 2011; Jackman and Breeze n.d.). Donors have been active in promoting pro-poor business and market approaches, including providing 'challenge' grants to lead firms as one-off investments, facilitating business linkages and investing in direct value chain development (Miehlbradt and McVay 2006). For the International Finance Corporation (IFC), for example, inclusive business models have accounted for over US\$7bn in commitments, working with more than 300 clients in over 80 countries in recent years (Ishikawa and Ribeiro 2012). However, there is a rising sense that these approaches have generally not achieved substantial impact over the long term. This is expressed as the failure to 'scale up' (e.g. World Business Council for Sustainable Development 2013; Jenkins and Ishikawa 2010; Newnham 2010).

Most pro-poor business approaches are based on a linear 'cause and effect' theory of change, with outcomes seen as predictable in advance and strategies based around designing solutions to problems (Mowles, Stacey and Griffin 2008), without taking into account the nature of markets as complex adaptive systems. In response, there has been an increasing emphasis on aspects of the system that inhibit or drive successful pro-poor business approaches. For example, Jackman and Breeze (n.d.) point to weak and inefficient legal and tax systems as key challenges. The Corporate Social Responsibility (CSR) Initiative (2007) highlights the lack of 'complementary strategies', such as training, building local institutional capacity, or shaping public policy to enhance the viability and impact of pro-poor business approaches, and suggests that these gaps can be filled by companies, including through corporate philanthropy, or in partnership with donors or others. Jay *et al.* (2008) emphasise that innovations need to be institutionalised within organisations and between organisations and the surrounding system, through engagement, collaboration and sector-wide approaches. Indeed, partnerships and 'new models of collaboration' are frequently identified as critical to addressing constraints and constructing new institutional arrangements to remove systemic barriers (Helmsing *et al.* 2009). These may be especially vital where public goods need to be created, including hard (e.g. roads) or soft (e.g. common standards and codes of practice) infrastructure (Vorley and Procter 2008). Examples of this type of collective action approach include the Roundtable on Sustainable Palm Oil, the New Vision for Agriculture, the Global Forest and Trade Network and the Better Cotton Initiative.

Putting pro-poor business approaches in the language of the multi-level perspective, new business models that are more inclusive of the poor as producers and consumers can be seen as niche innovations that may plant the seeds of systemic change. They involve novelties that are initially unstable, low-performance configurations incubated within niches that protect them against mainstream market selection. They are developed by small networks of dedicated and often fringe actors. They struggle against the existing system and will disappear unless they become more established through the stabilisation of rules, institutions, relationships and norms, and through gaining the support of powerful actors. When changes in the external environment destabilise the current system, there then may be windows of opportunity for these innovations to break through and change the way the system operates more broadly. While such changes in the external environment can generally not be engineered, efforts can be put into developing niche innovations to be ready for when opportunities arise. Note, however, that not all pro-poor business innovations are 'radical'. Some may simply be incremental improvements that are unlikely to have significant systemic impacts.

According to Gradl and Jenkins, this process of stabilising pro-poor business innovations involves creating 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’ (Gradl and Jenkins 2011: 4). These players may include companies, governments, business associations, NGOs, public and private donors, research institutes and the media. Aligning and strengthening inclusive business ecosystems is likely to be a slow, complex process but companies can adopt strategies to speed up this alignment and strengthening. These approaches include the following:

- **Awareness-raising and capacity-building:** Awareness-raising helps consumers value new products and services, and convinces suppliers, distributors and retailers that changing their practices or introducing new products will pay off. Capacity-building approaches help consumers and producers take full advantage of new opportunities.
- **Information-sharing around new organisations, rules, markets:** Research, practical experience and experimentation can be shared through communication tools and opportunities for the players in an ecosystem to interact.
- **Public policy dialogue:** One form of information-sharing is public policy dialogue. This can involve, for example, inviting regulators to see how the business works, and engaging in dialogue together with other companies or donors, or through platforms with a range of actors.
- **Creating new organisations:** Where actors that perform key functions such as intermediaries (associations, unions), research and training institutes, certification bodies, and market services are missing, new independent organisations can be created to fill these gaps.

Gradl and Jenkins (2011) also identify three basic structures that companies employ in strengthening inclusive business ecosystems. The default structure is a ‘private initiative’ in which the company has sufficient resources and capabilities to develop the innovations and does not face significant incentive problems preventing them from taking action, such as the risk of freeriders. When challenges exist with resources, capabilities and incentives, companies can work with others to overcome these barriers. They may form ‘project-based alliances’ that involve two or more actors in a formal agreement to accomplish a certain objective within a set timeframe, or ‘platforms’ involving a formal network of a potentially large number of stakeholders, which is dependent on the membership for strategic direction-setting, programming and governance.

5 Evidence review

There is currently a lack of good evidence, information and case studies on pro-poor business and systemic change. Even where business initiatives have aimed to achieve systemic change, analyses and impact assessments have been weak at reviewing systemic aspects (Ruffer and Wach 2013). This paper seeks to contribute knowledge in this area by reviewing evidence from a sample of case studies on pro-poor business models, and interrogating them based on a framework of questions drawn from the literature on systems and systemic change. The purpose of the analysis is to use these case studies to draw some broader conclusions about whether and how business-led approaches can go beyond creating change within an individual value chain and create the potential for broader systemic change, as well as to identify implications for development agents.

5.1 Case selection

The cases for analysis were selected from the United Nations Development Programme's (UNDP) 'Growing Inclusive Markets (GIM)' initiative; a repository of 150 pro-poor business models from over 40 countries, authored by 45 Southern academics and practitioners.² A subset of these cases was selected for review: this includes all the agricultural sector cases from the first set of GIM case studies,³ which comprises nine case studies from eight countries in Africa, Asia and Latin America. This focus on a single sector is intended to reduce complexity in the analysis, and agriculture is selected given its strong links to poverty and development (Wiggins, Kirsten and Llambi 2010; Chang 2009; Ravallion and Datt 1996). The nine cases analysed are briefly summarised below.

1. Amanco, Mexico: For decades, small farmers in Latin America have experienced low productivity and inefficiency. That was the background for Amanco, a subsidiary of the conglomerate GrupoNueva, against which to develop a hybrid value chain model for serving low-income markets. The company shifted from selling water conveyance supplies to offering integrated irrigation solutions, priced per hectare of land. The solutions included services to increase farm productivity and to maximise water efficiency. The company partnered with unconventional civil society organisations – closer to low-income clients – and with others providing microcredit and access to alternative channels for commercialisation (Serrano 2007).

2. Coco Technologies, Philippines: In the Philippines, the traditional focus on dried coconut flesh and oil makes farmers vulnerable to market fluctuations. This has made them disproportionately poor: coconut farmers make up 4 per cent of the Philippines' 89 million people but 20 per cent of its poor. Coco Technologies (CocoTech) established bioengineering applications of cocofibre nets made from waste coconut husks. CocoTech provides supplementary income to coconut farmers, livelihood opportunities for traditionally non-productive family members and a low-cost, environment-friendly solution to its clients in the form of nets for slope stabilisation and erosion control (Ganchero and Manapol 2007).

3. Fair Trade Cotton, Mali: Cotton is the main source of income for millions of people in West and Central Africa, but had suffered from frequent price falls. African producers were disproportionately vulnerable, often working with old-fashioned tools on family plots, and often seeing no benefits from international trade. Fair trade cotton initiatives to help poor Malian farmers sustain their production and earn meaningful revenues were supported by the

² The GIM approach, supported by an advisory board of 25 development and business institutions, was intended to build empirical evidence of strategies in inclusive market development. Cases are developed in an academic manner, derived from a mix of primary and secondary sources, and subjected to peer review before publication. <http://cases.growinginclusivemarkets.org/>.

³ Two Growing Inclusive Market Surveys were conducted, with final results released in 2008 for the first survey and in 2010 for the second survey.

Fairtrade Labelling Organizations International (FLO), its French member Max Havelaar France, and European clothing retailers (Gaye 2007).

4. Integrated Tamale Fruit Company, Ghana: The Integrated Tamale Fruit Company – operating in an area of widespread poverty in Ghana’s Northern Region – cultivates certified organic mangoes for local and export markets. To boost its power in the export market through higher production volumes, the company developed an outgrower scheme involving 1,300 farmers. The company provides an interest-free loan to the outgrowers through farm inputs and technical services, and farmers start paying for the loan after the trees yield fruit. This arrangement allows the company to reliably source a large volume of quality organic mangoes, and the farmers can enter mango production with long-term income prospects (Osei 2007).

5. Juan Valdez Coffee Shops, Colombia: About 95 per cent of farmers associated with the National Federation of Coffee Growers of Colombia (NFC) are small-scale, with plantations of less than five hectares. For decades, the coffee market confronted crises from international price instability, with significant repercussions on quality of life for small-scale producers and their families. The Juan Valdez Coffee Shops are part of an NFC initiative to increase coffee producers’ profits by incorporating direct sales into its commercial model. The shops are run by Procafecol, a new company owned largely by NFC (Serrano and Avella Villegas 2007).

6. Natura, Brazil: In 2000 Natura, a Brazilian cosmetics company, launched a strategy to use raw material extracted from nature as a platform for its new product line called ‘Ekos’. To scale local production and guarantee sustainable extraction, the company built a new business model, involving small communities, NGOs and governments. It established supplier relationships with rural communities that extract raw material from Brazilian vegetal biodiversity, including three communities in Pará that produce *priprioca*, a grass known for the fragrance of its roots (Boechat and Mokrejs Paro 2007).

7. Sadia, Brazil: Sadia is one of the world’s leading producers of chilled and frozen foods, and one of Brazil’s main exporters of meat products. The Program for Sustainable Swine Production was designed to reduce greenhouse gas emissions from the more than 3,500 swine producers in Sadia’s supply chain and to qualify the reductions as a Kyoto Protocol Clean Development Mechanism (CDM) project in order to sell carbon credits. The programme seeks to provide supplementary revenue from carbon credits and better working conditions for swine producers (Boechat, Werneck and Miraglia 2007).

8. Sekem, Egypt: Founded in 1977, the Sekem initiative promotes social and environmental development through economic and cultural activities, based around eight companies focusing on agriculture as a labour-intensive sector and developing value-added agriculture-based manufacturing in medicine, food and fabrics. With 2,000 employees and 850 small-scale farmers, Sekem organically cultivated 3,500 hectares in 2005, directly benefiting 25,000 people (Hatem 2007).

9. Sustainable Cashew Production, Guinea: Guinea has been focusing on expanding cashew production, which could provide a livelihood opportunity for the 80 per cent of Guineans dependent upon subsistence agriculture. Over a three-year period, the Global Development Alliance Partnership, encompassing several Guinean cashew cooperatives, the government, the US Agency for International Development and Kraft Foods, helped Guinean farmers by supporting the rehabilitation of old cashew plantations and planting of new ones, improving seeds supplied and training farmers’ associations (Gaye and Moreau 2007).

5.2 Case analysis methodology

The analysis of these case studies is based on six questions, designed to understand the relationship between these business and development initiatives and systemic change. These questions are derived from the literature review (particularly Gradl and Jenkins 2011; Geels and Schot 2007; Freeman and Perez 1988; Checkland 1981) and described below.

1. **What was the structure of the pro-poor business initiative?** Four different potential structures were considered: initiatives led by an **existing company**, initiatives led by a **new company** that was created in response to a specific development challenge, formal **partnerships** between two or more entities,⁴ and multi-party **platforms** involving a large number of organisations with broad, shared objectives. While these structures are not mutually exclusive and may be used in differing combinations over the life of an initiative, the main structure employed in each case study is identified.
2. **Were key elements of systemic change part of the design of the initiative?** This involves two parts. Firstly, did the initiative explicitly seek to address systemic challenges? In other words, did it address issues that originate from the system and its elements (institutions, policies, relationships, resources, power structures, values and behavioural norms), rather than challenges specifically relating to the value chain and individual actors directly involved in it (i.e. the company, the producers it sources from, and the customers it sells goods and services to)? Secondly, did the initiative involve innovation based on deliberate research and development efforts, especially those involving multiple innovations in product, process and organisation? This second part of the question is designed to distinguish between incremental initiatives around efficiency, quality and productivity, which rarely drive systemic change, and radical niche innovation.
3. **Which approaches were utilised to strengthen and stabilise innovations?** The cases identified as being designed to address systemic challenges were reviewed for evidence of the strategies and approaches employed to strengthen and stabilise innovations. The cases were analysed for evidence of the following approaches, based on the literature:
 - **Building mutual understanding** around a system and its challenges, based on multiple and diverse perspectives;
 - **Creating new organisations or individuals** able to fill gaps around key functions in the market;
 - **Awareness-raising and capacity-building** with consumers and producers;
 - **Generation and sharing of new information** around new organisations and rules, and through websites, media outreach and opportunities for actors in the system to directly interact;
 - **Public policy engagement** to influence rules and institutions in support of the innovation.The analysis also considered whether other approaches were being used to strengthen and stabilise innovations, even if these had not been pre-identified in the literature.
4. **Is there evidence in the case studies of strengthening and stabilising innovations?** With the evidence available in the case studies, it is not possible to draw conclusions about whether or not systemic change was achieved. Systemic change can be difficult to observe with confidence, involving changes to behaviours and norms that are likely to have been poorly captured in the case studies, which were not written from this perspective. The initiatives were also generally not operating over a long enough timeframe for systemic change to be realised. However, analysis considered instead whether there was evidence of strengthening

⁴ Note that while all the initiatives involve some level of commercial partnerships and collaborations at certain points along the life of the project, the key question here is whether the initiative was led by a partnership of organisations.

and stabilising innovations. The cases that were identified as being designed to address systemic challenges were analysed for evidence that niche innovations were being strengthened and stabilised, with indicators adapted from Geels and Schot (2007). These are:

- The development of **communities** of (increasingly powerful) actors **as part of the support network**;
- The stabilisation of learning processes in a **dominant design**;
- The **growth of market** niches and demand for the innovation;⁵
- **Price/performance improvements**.

5. **Were there indirect impacts on systemic change?** It is possible that a pro-poor business initiative may not seek systemic change, deliver radical innovation or address specific systemic challenges, but still have indirect impacts on systemic change. For example, an initiative that involves women in leadership positions may not be seeking a change in the perception of women and women's roles in society, but may help support gender equality efforts being led by others. The initiatives were therefore reviewed to understand whether they may be supporting systemic change being driven by others. While information on these indirect impacts is likely to be incomplete in the case studies, it is a potentially important area where business and development initiatives impact systemic change and is therefore important to consider despite these limitations.

5.3 Methodological limitations

This analysis is based on a desk review of existing case studies, which provide a ready source of data to test ideas and frameworks derived from the literature review. This approach comes with some important limitations, however. The cases were not written from a perspective of systemic change, meaning that relevant questions may not have been asked and relevant evidence may have been left out of the case studies. In addition, the sample size of nine cases is small and focused only on agriculture. While agriculture as a sector is highly relevant to development, the results are not necessarily representative of other sectors. Finally, the cases are over five years old. This was a deliberate choice and creates the opportunity for future analysis that could investigate how these initiatives have evolved in intervening years. However, there is also a risk that they are out of step with current business practice, which may have evolved as awareness and interest in systemic approaches has increased. However, while cutting-edge or leading practice may have moved on, average practice generally lags behind and it is unlikely that the cases are significantly out of step with general practice. Next steps that could overcome these limitations include undertaking primary research designed to interrogate initiatives around systemic change; exploration and comparison of different sectors; and an analysis that would look at the time dimension, both considering how specific projects have evolved over time and affected systems, and whether and how the overall business and development approach has changed in recent years to better target systemic change.

⁵ Geels and Schot (2007) specify that the niches should amount to more than 5 per cent of market share to indicate that an innovation is stabilised and ready to break through. This simplified indicator of 'growth of market niches or demand for the innovation' is used since the analysis seeks to understand only whether stabilisation and strengthening is occurring – not that the innovation is already ready to break through. It also reflects limits in the data available on the cases.

6 Results and analysis

6.1 Overview

The case analysis results are summarised in Table 6.1, discussed in the analysis below, and presented in more detail in the tables in the Annex. The tables and analysis are structured to reflect the questions set out in Section 5.2, 'Case analysis methodology'.

6.2 Analysis

This section analyses the nine cases, based on the six questions set out above.

1. What was the structure of the pro-poor business initiative?

Across the cases there were examples of all the structures described in the methodology.

Existing companies: Three cases involved an existing company that added a pro-poor business approach to its operations. These were ITFC, which developed an outgrower scheme to boost production volumes; Natura, which built a new business model for a new product line using raw material extracted from nature and involving small communities in production; and Sadia, which designed a programme to reduce greenhouse gas emissions from small-scale swine producers in its supply chain.

New companies: Three cases involved setting up a new company in order to develop a pro-poor business approach. These were CocoTech, which pioneered bioengineering applications of cocofibre nets from waste coconut husks to provide supplementary income to coconut farmers; Juan Valdez, which sought to increase coffee producers' profits by creating direct sales from producer organisation to consumer; and Sekem, which developed agriculture-based manufacturing in medicine, food and fabrics to promote social and environmental development.

Partnership: There was only one project partnership – this was the Amanco case study, based on a partnership between a company, Amanco, a civil society organisation, Ashoka, and a social entrepreneur, RASA (Red de Agricultores Sustentables/Sustainable Farmers' Network), to develop a hybrid value chain model for serving low-income farmers.

Platform: There were two examples of platforms, Fair Trade Cotton which sought to help Malian cotton farmers sustain their production and earn meaningful revenues, with the support of NGOs, European clothing retailers and a number of government entities; and Sustainable Cashew Production in which the Global Development Alliance Partnership, encompassing cashew cooperatives, the government, the US Agency for International Development and Kraft Foods, supported improvements to cashew productivity and livelihoods.

Table 6.1 Summary of case analysis

Company Country	Structure	Were key elements of systemic change part of initiative design?	Were approaches utilised to strengthen and stabilise innovations?		Evidence of strengthening and stabilisation of innovations?	Were there indirect systemic impacts?
			Approaches identified in the literature	Other approaches (not identified in the literature)		
Integrated Tamale Fruit Company (ITFC) Ghana	Existing company	No <ul style="list-style-type: none"> Only incremental improvements sought Focus on ITFC supply chain 	N/A	N/A	N/A	<ul style="list-style-type: none"> Reinforces government reforestation policy
Natura Brazil	Existing company	No <ul style="list-style-type: none"> R&D undertaken But focus on Natura supply chain only 	N/A	N/A	N/A	No evidence identified
Sadia Brazil	Existing company	No <ul style="list-style-type: none"> R&D undertaken But focus on Sadia supply chain only 	N/A	N/A	N/A	<ul style="list-style-type: none"> Developed group of trained people able to implement CDM projects
Coco Technologies Philippines	New company	Yes <ul style="list-style-type: none"> Focus on problem that cocoa farmers are disproportionately poor R&D to diagnose problem, identify solution through bioengineering, and design new business model 	<ul style="list-style-type: none"> Mutual understanding Awareness-raising New information Public policy 	<ul style="list-style-type: none"> Provide missing public goods Address power imbalance 	<ul style="list-style-type: none"> Communities of supporters Dominant design Market growth 	<ul style="list-style-type: none"> Increased cooperative membership Empowerment of women
Juan Valdez Coffee Shops Colombia	New company	No <ul style="list-style-type: none"> Systemic challenges identified But only incremental improvements sought Focus on farmers within coffee shop value chains 	N/A	N/A	N/A	No evidence identified

(Cont'd.)

Table 6.1 (cont'd.)

Company Country	Structure	Were key elements of systemic change part of initiative design?	Were approaches utilised to strengthen and stabilise innovations?		Evidence of strengthening and stabilisation of innovations?	Were there indirect systemic impacts?
			Approaches identified in the literature	Other approaches (not identified in the literature)		
Sekem Egypt	New company	Yes <ul style="list-style-type: none"> Identified broad systemic challenges facing Egypt Developed three fields of value-added agriculture-based manufacturing and new business model Established techniques for cotton free of chemicals 	<ul style="list-style-type: none"> New organisations Awareness-raising New information Public policy engagement 	<ul style="list-style-type: none"> Develop supporter community Provide missing public goods 	<ul style="list-style-type: none"> Communities of supporters Dominant design 	No evidence identified
Amanco Mexico	Partnership	No <ul style="list-style-type: none"> R&D undertaken But focus on Amanco supply chain 	N/A	N/A	N/A	<ul style="list-style-type: none"> Creating network of small local enterprises
Sustainable Cashew Production Guinea	Platform	No <ul style="list-style-type: none"> Systemic challenges identified But only incremental improvements sought Some research on processing, but no potential found 	N/A	N/A	N/A	No evidence identified
Fair Trade Cotton Mali	Platform	Yes <ul style="list-style-type: none"> Lack of benefit of African cotton producers from international trade Develop Fairtrade-certified cotton 	<ul style="list-style-type: none"> Mutual understanding New organisations Awareness-raising 	<ul style="list-style-type: none"> Provide missing public goods Address power imbalance 	<ul style="list-style-type: none"> Communities of supporters Dominant design Market growth 	No evidence found

Source: Author's own.

2. Were key elements of systemic change part of the design of the initiative?

The question here is to understand whether the initiatives both addressed systemic challenges and did this through deliberate research and development efforts, rather than either focusing only on a company's value chain or on driving incremental improvements. Only three of the nine cases were designed in this way: CocoTech, Sekem and Fair Trade Cotton. These are examples either of new companies (CocoTech, Sekem) or platforms (Fair Trade Cotton) created to address systemic challenges. They each aimed to innovate around a new product/sector (e.g. cocofibre, biodynamic agriculture) or to make an existing sector work in a more pro-poor way (e.g. through fair trade).

Of the other six cases, three (ITFC, Juan Valdez, Sadia) focused on relatively incremental improvements in individual supply chains, in order to be more pro-poor. In the case of Sustainable Cashew Production, although the focus was on the entire cashew sector in Guinea, the initiative was limited to incremental improvements. In the case of Natura, although there was significant innovation in product, process and organisation to source new ingredients working with poor producer communities, it focused only on Natura's supply chain. Even the one partnership example, involving Amanco and Ashoka, focused on Amanco's value chain and direct customers – although Ashoka's involvement did bring key systemic elements (discussed in the next section).

3. Which approaches were utilised to strengthen and stabilise innovations?

The three cases that were targeting systemic change used a range of approaches to support the development and stabilisation of innovations, with examples of all of the approaches identified in the literature. CocoTech undertook a consultation with leaders of the country's coconut industry and local public works officials to develop **mutual understanding** of the challenges being faced. It also engaged in **public policy dialogue** towards a Presidential Memorandum mandating the use of cocofibre in government infrastructure projects. Sekem helped **form a new organisation**, the Egyptian Biodynamic Association (EBDA), to conduct research and support initiatives to promote organic agriculture. The company also took measures to **share information** related to biodynamic agriculture, working with the North Africa Enterprise Development Facility to enhance communication and collaboration with small- and medium-sized farmers, including through improved production forecasts. The Fair Trade Cotton initiative **raised awareness** on fair trade cotton-based products with European manufacturers and consumers.

Note, however, that information on the first point – developing mutual understanding – was weak. Most of the cases mentioned some effort to engage some stakeholders in developing the initiative but in none of the cases was there evidence of a comprehensive effort across multiple and diverse perspectives. This may be partly a factor of the case write-ups – failing to provide specific information on this point. However, it may also indicate that, despite a strong emphasis on communication and awareness-raising in the initiatives, it was less common for the lead actors to listen to and solicit the views of other, diverse actors.

In addition to the approaches identified from the literature, the case review also identified three additional strategies to strengthen innovations. These are: **investing in the development of a community of supporters for the innovation**;⁶ **providing missing public goods**, either through developing dedicated financing mechanisms or through direct support (e.g. financial or technical); and **addressing power imbalances in the market**. For example, Sekem has strengthened the community of institutions promoting organic agriculture in Egypt through support for the Egyptian Biodynamic Association. In Fair Trade Cotton, a 'development premium' is built into the fair trade model, providing funding to

⁶ Note that the 'development of communities of (increasingly powerful) actors as part of the support network' is also an indicator that a niche innovation is on the way to being consolidated. The difference, however, is that here it is about the creation of a community of supporters as a *proactive* approach, as opposed to using the appearance of a support community (not necessarily driven by the company or platform in question) as an indicator that change is in progress.

farmers' organisations or cooperatives to spend on collective projects that improve the situation of local communities in areas like health, education, environment and the economy. Finally, in terms of addressing power imbalances, CocoTech strengthened the autonomy of community partners by encouraging them to develop their own markets, for example, and helped strengthen their bargaining power towards the Philippine government through supporting the development of a standard for coconets. In Fair Trade Cotton, efforts were directed at improving the position of small-scale farmers in world markets.

4. Is there evidence in the case studies of strengthening and stabilisation of innovations?

In each of the three cases targeting systemic change, there were some indicators of the strengthening of innovations, although the information was limited. For CocoTech, what started in one part of the Philippines spread to other coconut-producing areas, indicating a potential stabilisation of learning processes towards a dominant design. New actors also became interested in the innovation, with partnerships and joint ventures established with foreign companies and governments in the Netherlands, China and Sri Lanka. The market for cocofibre products also grew, with new international customers such as Bestmann in Germany. However, overall, the number and value of CocoTech's projects peaked in 2002/03, fell in 2005 and only started climbing again in 2006.

For Fair Trade Cotton, the initiative was supported by a wide range of actors, including fair trade organisations, French, Belgian, Swiss and UK clothing retailers, Dagrís, Malian cotton-growing companies, and the French Ministry of Foreign Affairs. Demand for certified cotton showed a twelvefold increase in 2005/06 when the case was being written. However, with the successful production of high-quality fair trade cotton, one of the partners, Dagrís, had begun marketing new brands based on quality and not on Fairtrade certification (although still sourcing from certified producers). This development could potentially be a sign of the stabilisation of fair trade in a dominant design. However, other project partners saw it as potentially reducing awareness of the fair trade approach, and therefore undermining its stabilisation.

Finally, for Sekem, the company has been successful in establishing cooperation agreements with governments, and alliances with NGOs in the field of biodynamic agriculture. The case study also reports a 'landmark achievement' of reducing the use of synthetic pesticides in Egypt by over 90 per cent, while also increasing the yield of raw cotton by almost 30 per cent, through the utilisation of an innovative technique to shield the cotton plant. This seems to indicate stabilisation around this particular innovation as a dominant design. There is no information, however, on market or demand growth across the different markets and products that Sekem is involved in.

5. Were there indirect impacts on systemic change?

In several of the cases, including both initiatives that were targeting systemic change and those that were not, potential indirect systemic impacts were identified. For example, given the critical role that women play in the CocoTech supply chain, women have acquired a greater sense of importance and self-esteem, and this may affect women's overall standing in communities. The initiative has also supported increased cooperative membership, which may help strengthen the cooperative network in the Philippines, where these organisations frequently struggle.⁷ In the Sadia case, the initiative was helping to create a group of trained people who could fill gaps around CDM project implementation. Other examples include ITFC, which is helping to reinforce government policy on reforestation, and Amanco, which with funding from the Inter-American Development Bank was planning to create a network of small local enterprises to act as distributors of irrigation, but also other agricultural solutions for small-scale producers, such as greenhouses.

⁷ The case study notes that in the Philippines, less than ten per cent of cooperatives survive.

7 Conclusion – is systemic change part of the business and development approach?

This research has analysed a series of case studies to draw conclusions regarding the degree to which pro-poor business initiatives go beyond delivering benefits for individual companies and value chains, and address wider systemic change. The analysis found that initiatives based around existing company value chains, including initiatives that were company-led and those undertaken as a partnership between a company and a development agent, lacked a systemic approach. This finding does not suggest that these initiatives fail to tackle poverty, but that direct impacts are limited to actors within company value chains. On the other hand, initiatives where new companies were created or where platforms of actors came together in response to challenges were more likely to be systemic in approach. Amongst the three cases that targeted systemic change, there was some evidence that the strengthening of innovations was taking place, although this was insufficient to draw conclusions on whether any of them had sufficiently stabilised to be in a position to break through more widely if system discontinuities arose. It would be useful to follow these and other cases over a longer time period to understand more about whether and how stabilisation of innovations was achieved.

Amongst the existing company initiatives, there may be many reasons why they are ill-suited to deliver systemic change. These companies may be too much part of the existing system and therefore while they may seek more pro-poor impacts, they have little or no incentive to drive substantial change. As Geels and Schot (2007) identify, niche innovations that may lead to systemic change are generally pioneered by entrepreneurs or relative outsiders to the system. In addition, even where systemic change may be in the interest of an existing company, they may be unlikely to capture sufficient gains compared to the costs to that company, with significant benefits accruing to others.

However, while initiatives led by existing companies are not, generally, designed for systemic change, it does not mean that they never address systemic challenges. In most of the initiatives some issues arose that were systemic in nature – affecting not only the company and its value chain, but many others too. In some cases the companies responded by helping only those within their value chain to avoid the problem. However, in other cases the companies sought to address the underlying systemic challenge by influencing the behaviour of other actors, for example, or helping to shape public policy. These efforts resulted (or had the potential to result) in wider benefits beyond the company's value chain. In the case of Amanco, the company actually responded in both ways. When Amanco identified that public resources that could help farmers purchase small-scale irrigation technologies were being captured by wealthier farmers, it recognised that significant lobbying would be needed to support those farmers in its value chain to access public subsidies. However, it also planned to work with Mexican authorities to facilitate a more pro-poor resource allocation for acquisition of small-scale irrigation. There was also some evidence that existing company initiatives may generate indirect impacts that can strengthen and stabilise other innovations and drive systemic change outside the core focus of the initiative. This is another area where further investigation would be useful, to understand the potential for these indirect impacts and whether they can be made more deliberate in initiatives.

Amongst initiatives that do target systemic change, there are a wide range of approaches that companies and their partners can adopt to strengthen and stabilise innovations, meaning they are increasingly ready to break through more widely. These include developing mutual understanding, creating new organisations, raising awareness and capacity amongst those involved in or targeted by the innovation, creating and making available new information about the innovation, public policy engagement and influence, developing a wide

community of supporters, addressing missing public goods and addressing power relations. Note, however, that these strategies are also found in initiatives that were not focused on systemic change. The point here is not that these approaches are particular to systemic change, but simply that they represent potentially important strategies to strengthen niche innovations that can prepare the way for systemic change.

Strikingly, however, two of these approaches that are particularly relevant for initiatives targeting poverty and development were weakly present and implemented: building mutual understanding of the system and addressing power relations. A critical part of what defines a system is how its power relations and structures operate, and this in turn has a direct impact on poverty and inequality. In markets, those with economic or political power shape the system and often define perceived challenges in the system and how these should be addressed. Others may be so powerless that they are excluded or only participate in the market on poor terms (Sahan and Fischer-Mackey 2011), with little or no political voice. While most of the cases included some efforts to build an understanding of the system based on diverse perspectives, these were generally limited and seemed to focus on powerful actors like government, rather than community-based organisations. There were several examples of power-related issues in the initiatives such as the negotiating power between companies and smallholders, and the development of collective organisations to enable companies to work with smallholders without due consideration of whether these groups primarily represent the interests of their members or of the company that supported their creation. This failure to be inclusive of diverse perspectives and to deal with issues of power are at the heart of many of the key criticisms of pro-poor business approaches.

7.1 Implications for development agents working with companies

Based on the evidence reviewed, there are a number of implications for development agents who work with business and are interested in fostering wider systemic change.

1. Working with a new company or a platform involving a network of existing organisations provides a more likely starting point for systemic change than working with a single, existing company, especially one that is heavily embedded or dominant in the current system. However, working with new companies or platforms does not guarantee a systemic approach. Radical innovations, rather than incremental improvements, are also needed.
2. A partnership with an existing company on pro-poor business generally means concentrating on impacts within a company's value chain, and generating win-win results that deliver both public and commercial benefits. However, development agents can play a crucial role in influencing aspects of these initiatives to be more systemic in approach. For example, they can encourage and provide incentives for companies to address challenges systemically, rather than simply removing obstacles within a company's value chain. Development agents can also seek ways to make the 'indirect more direct', by strengthening linkages between aspects of a company's value chain approach and systemic change efforts in other areas.
3. Development agents should seek to avoid circumstances where benefits created through company initiatives are contingent on factors that can undermine positive systemic change. Initiatives should not be premised on further entrenching an existing company monopoly, for example, especially as crowding in around a new innovation that has poverty reduction potential is often desirable from a power perspective and can also signal that an innovation is becoming the dominant design.
4. There needs to be more investment by development agents in ensuring that mutual understanding of the boundaries of the system, its characteristics and challenges are defined through engagement with diverse stakeholders.

5. Development agents should invest in efforts to evaluate systemic outcomes and impacts of initiatives, looking for indicators that innovations are stabilising, such as the appearance of powerful actors in the support network or the stabilisation of learning processes in a dominant design. Both measuring systemic outcomes and developing mutual understanding of systems are areas where the public interest is greater than private commercial benefits, and they need to be driven and supported by development agents.
6. More effort needs to go into identifying and prioritising systemic challenges and potential interventions. For example, some efforts to identify ‘binding constraints’ (Humphrey *et al.* 2014) that are acting as barriers to systemic change, as well as to explore the political economy of removing those constraints, should be part of the process.

7.2 Areas for further research

Further analysis involving primary research with a greater number and variety of cases, exploring results over a longer time horizon (10–15 years) is needed to develop greater understanding of how pro-poor business models could support systemic change. Key areas include:

1. Primary research on different types of pro-poor business initiatives to understand what role they played, if any, in systemic change, why and how. There is value in reviewing older cases – interviewing original participants and reviewing project documents – to generate evidence over longer time frames. This could include further research on how effective the case studies reviewed in this paper have been in terms of their original aims, and whether and how innovation was stabilised.
2. Identifying whether there are cases in which sufficient incentives exist – or can be created – for established companies to support systemic change. Can differences be drawn, for example, between dominant incumbents in a sector and rivals who would benefit from system disruption?
3. Development of more detailed understanding of approaches and strategies to strengthen innovations and lay the foundations for systemic change.
4. A deeper analysis of power relations in markets and whether these can be effectively influenced through pro-poor business and market approaches.
5. Research to understand the potential for indirect impacts from business and development initiatives to support systemic change, and whether these could be made a more deliberate feature of initiative design.
6. Identification and analysis of pro-poor business cases where systemic change has been achieved, to further test the framework and better understand the stabilisation process and how stabilised innovations in this area break through to systemic change.

Annex 1 Detailed results of case analysis

A. Existing companies

1. Integrated Tamale Fruit Company (ITFC) – Ghana

Systemic change	Were key elements of systemic change part of initiative design?	NO
	<p>Definition of problem</p> <ul style="list-style-type: none"> While acknowledging broader poverty challenges, the initiative primarily aimed at increasing mango supply to ITFC. A key objective of the outgrower scheme is identified as reducing poverty by providing local people with a sustainable income-generating venture through organic mango production. <p>Initiative response</p> <ul style="list-style-type: none"> Does not seek impacts beyond the company value chain. No specific research and development identified. 	
Were approaches utilised to strengthen and stabilise innovations?	N/A	
Evidence of strengthening and stabilisation of innovations	N/A	
Indirect systemic impacts	<ul style="list-style-type: none"> Reinforces government reforestation policy. 	

2. Natura – Brazil

Systemic change	Were key elements of systemic change part of initiative design?	NO
	<p>Definition of problem</p> <ul style="list-style-type: none"> Focus on developing new product line for Natura. <p>Initiative response</p> <ul style="list-style-type: none"> Research and development on use of natural ingredients, certification programme and open value chain concept. 	
Were approaches utilised to strengthen and stabilise innovations?	N/A	
Evidence of strengthening and stabilisation of innovations	N/A	
Indirect systemic impacts	–	

3. Sadia – Brazil

Systemic change	Were key elements of systemic change part of initiative design?	NO
	<p>Definition of problem</p> <ul style="list-style-type: none"> • Needed to improve environmental management and reduce greenhouse gas emissions from small-scale swine producers in Sadia's supply chain. <p>Initiative response</p> <ul style="list-style-type: none"> • Research to analyse opportunities to use swine waste for multiple benefits linked to carbon credit market, and to improve working conditions for farmers. Study of available technologies and opportunities in carbon credit market and creation of Sadia Sustainability Institute to manage the Sustainable Swine Production (3S) programme and negotiate carbon credits. • However, focused on Sadia's supply chain only. 	
Were approaches utilised to strengthen and stabilise innovations?	N/A	
Evidence of strengthening and stabilisation of innovations	N/A	
Indirect systemic impacts	<ul style="list-style-type: none"> • Developed group of trained people able to implement CDM projects, which may benefit research centres and environmental organisations. 	

B. New companies

1. Coco Technologies – Philippines

Systemic change	Were key elements of systemic change part of initiative design?	YES
	<p>Definition of problem</p> <ul style="list-style-type: none"> • Coconut farmers across the country were disproportionately poor. Traditional focus on dried coconut flesh product left farmers vulnerable to price fluctuation – some were so desperate they were cutting down coconut trees to sell as lumber. <p>Initiative response</p> <ul style="list-style-type: none"> • Research to understand why coconut farmers suffer poverty and to identify opportunities to expand product lines from just dried coconut flesh, reducing dependence on one product and vulnerability to price fluctuation. • Research productive uses of waste coconut fibre and apply bioengineering to identify new products that involve farming communities in production: cocofibre nets for slope protection, river and shoreline rehabilitation and erosion control; peat as a soil enhancer. • Design a business model for CocoTech involving communities in every step of process – creating a novel supply chain that eliminates middlemen. 	

(Cont'd.)

1. Coco Technologies – Philippines (cont'd.)

Were approaches utilised to strengthen and stabilise innovations?	<p>Approaches identified in the literature</p> <p>Mutual understanding</p> <ul style="list-style-type: none"> • Consultation with leaders of the country's coconut industry and local public works officials. <p>Awareness-raising around new organisations, rules and markets</p> <ul style="list-style-type: none"> • Encourage local groups of farmers and cooperatives through capacity-building of individuals, families and local enterprise with help of local government; and emphasising income potential. • Make government units aware that cocofibre nets were effective at tackling erosion. <p>Generation and sharing of new information</p> <ul style="list-style-type: none"> • Training, workshops and demonstrations leading to increased use of coconut fibre products. • Preparation of data to allow the government to release a national quality standard for coconets and cocopeat. <p>Public policy dialogue</p> <ul style="list-style-type: none"> • Introduced cocofibre nets to the Philippine government as an effective technology to solve erosion problems, with potential for savings and local economic growth. • Advocacy in favour of Presidential Memorandum mandating use of cocofibre in all government infrastructure. 	<p>Other approaches (not identified in the literature)</p> <p>Address power imbalance</p> <ul style="list-style-type: none"> • Company partners are autonomous and self-reliant enterprises, encouraged to develop their own markets. • Developing standards for coconets to strengthen the power of small producers with respect to government. <p>Public goods</p> <ul style="list-style-type: none"> • CocoTech provides technical assistance in designing and fabricating machinery. • CocoTech provides training in bioengineering.
Evidence of strengthening and stabilisation of innovations	<p>Communities of supporters</p> <ul style="list-style-type: none"> • More than 6,000 families involved • Support from government research and development body, IRDC. • Collaborations with academic institutions leading to improved equipment and processes. • Partnerships with foreign companies and governments in the Netherlands, China, Sri Lanka. <p>Dominant design</p> <ul style="list-style-type: none"> • Started in Bicol and then replicated in other coconut-producing parts of the country by partnering with community-based organisations (NGOs, SMEs, people's organisations). • Nine 'CocoTech-like' enterprises around country, each autonomous and self-reliant, acting as consolidators and selling coconets to CocoTech. <p>Market growth</p> <ul style="list-style-type: none"> • Growth in market for cocofibre products, with new international customers such as Bestmann in Germany producing fibres for car upholstery. • The number and value of CocoTech's projects peaked in 2002/03, fell in 2005 and started climbing again in 2006. 	
Indirect systemic impacts	<ul style="list-style-type: none"> • 85 per cent of CocoTech workforce are women – brings financial independence, access to credit, cooperative membership, and self-esteem. • Increased membership of cooperatives and more contributions to cooperative capital build-up – cooperatives usually struggle in Philippines (<10 per cent of cooperatives survive). 	

2. Juan Valdez Coffee Shops⁸ – Colombia

Systemic change	Were key elements of systemic change part of initiative design?	NO
	<p>Definition of problem</p> <ul style="list-style-type: none"> The removal of international and national price stabilisation mechanisms impacted the quality of life of small coffee producers and their families. <p>Initiative response</p> <ul style="list-style-type: none"> New strategy of direct sales of specialised coffees for which consumers accept higher prices as part of the commercial model of the National Federation of Coffee Growers of Colombia (NFC) to increase producers' profits. Producers paid an average of 25 per cent more than standard Colombian coffee price. However, these are incremental and not radical innovations, and they will benefit the farmers within the coffee shop value chain only. No clear pathway to wider impact. 	
Were approaches utilised to strengthen and stabilise innovations?	N/A	
Evidence of strengthening and stabilisation of innovations	N/A	
Indirect systemic impacts	–	

3. Sekem – Egypt

Systemic change	Were key elements of systemic change part of initiative design?	YES
	<p>Definition of problem</p> <ul style="list-style-type: none"> Identified broad challenges facing Egypt including excessive use of artificial fertiliser, environmental degradation, weak economy and unemployment, child labour, poor education, health, agriculture and trade relations. <p>Initiative response</p> <ul style="list-style-type: none"> Developing three fields of value-added agriculture-based manufacturing: natural medicines, organic food and naturally grown fabric products. Focus on agriculture as a labour-intensive sector. Develop an innovative new model of business, with a group of company activities based on sustainable agricultural production and human development/ecological sustainability, which strengthen each other and provide solutions to Egypt's challenges. For example, with scientists and spinning, weaving, dyeing and finishing companies, Sekem established techniques to manufacture cotton textiles free of chemicals. 	

(Cont'd.)

⁸ Run by Procafecol, a new company owned largely by the NFC.

3. Sekem – Egypt (cont'd.)

Were approaches utilised to strengthen and stabilise innovations?	Approaches identified in the literature	Other approaches (not identified in the literature)
	<p>New organisations</p> <ul style="list-style-type: none"> Helped form Egyptian Biodynamic Association (EBDA) to conduct research on biodynamic cultivation practices and support initiatives that promote organic agriculture and restore the natural environment. <p>Awareness-raising around new organisations, rules and markets</p> <ul style="list-style-type: none"> Training of farmers through EBDA, IFC and others. <p>Generation and sharing of new information</p> <ul style="list-style-type: none"> Alliances to help develop continuous mutual interaction among farmers, producers and traders to deliver the highest quality products to consumers. Information on organic and biodynamic agriculture – Sekem was the first in Egypt to promote pesticide-free farming. <p>Public policy dialogue</p> <ul style="list-style-type: none"> Establish cooperation agreements with governments to resolve complicated administrative environment. 	<p>Investing to develop a community of supporters</p> <ul style="list-style-type: none"> Supports the development of institutions that promote organic agriculture through EBDA. <p>Public goods</p> <ul style="list-style-type: none"> Profits invested in development initiatives providing education and health facilities for both children and adults.
Evidence of strengthening and stabilisation of innovations	<p>Communities of supporters</p> <ul style="list-style-type: none"> Sekem has 2,000 employees and 850 associated small-scale farmers, cultivating a total of 3,500ha through organic, biodynamic methods. Through EBDA helped transition of over 400 farms to organic agriculture. Established alliances with NGOs in the field of biodynamic agriculture. Work with International Association of Partnerships, a forum of organisations from different countries, helping it to market products internationally, and with the Ministry of Agriculture on agricultural research in plant protection of the cotton plant. <p>Dominant design</p> <ul style="list-style-type: none"> Techniques to manufacture cotton textiles free of chemicals reportedly becoming dominant design. Reduction in the use of synthetic pesticides in Egypt by over 90 per cent, from over 35,000 tonnes per year to about 3,000 tonnes, while also increasing the yield of raw cotton by almost 30 per cent, as well as the quality. 	
Indirect systemic impacts	–	

C. Partnership

1. Amanco

Systemic change	Were key elements of systemic change part of initiative design?	NO
	<p>Definition of problem</p> <ul style="list-style-type: none"> Aim was to look for base of the pyramid business opportunities linked to Amanco's products (irrigation systems). <p>Initiative response</p> <ul style="list-style-type: none"> Adapt Amanco products to farmers' needs, with several products integrated into one irrigation solution. Research and development in business processes to market the new irrigation solutions, based on the development of a hybrid value chain, in collaboration with partners, to serve low-income market, with attached services to help increase productivity and maximise water efficiency. 	
Were approaches utilised to strengthen and stabilise innovations	N/A	
Evidence of strengthening and stabilisation of innovations	N/A	
Indirect systemic impacts	<ul style="list-style-type: none"> With funding from the Inter-American Development Bank, Amanco was intending to create small local enterprises to act as distributors of agricultural solutions (including irrigation but also other products like greenhouses). 	

D. Platform

1. Fair Trade Cotton

Systemic change	Were key elements of systemic change part of initiative design?	YES
	<p>Definition of problem</p> <ul style="list-style-type: none"> African cotton producers often fail to benefit from opportunities in international trade. They have suffered from price decreases, which do not guarantee a return on investment. Harsh competition from highly subsidised cotton producers from rich countries led farmers to sell below cost of production. <p>Initiative response</p> <ul style="list-style-type: none"> Bring improved incomes and more sustainable practices to cotton production in Mali by developing Fairtrade-certified cotton that helps poor farmers sustain production and earn substantial revenues and guaranteed minimum prices above cost of production, through market access, information and improved terms of trade, along with a development premium and environmental protection. Research by Max Havelaar and Dagrif identified the capacity of Malian cotton producers to benefit from a fair trade purchasing price, based on an assessment of the costs of production and farmers' living conditions. National federations of cotton producers in Mali were assigned the task of defining fair trade selection criteria in order to identify eligible producers. 	

(Cont'd.)

1. Fair Trade Cotton (cont'd.)

<p>Were approaches utilised to strengthen and stabilise innovations?</p>	<p>Approaches identified in the literature</p> <p>Mutual understanding</p> <ul style="list-style-type: none"> • Work with cotton producers and their industry federations to define criteria to identify eligible producers. <p>New organisations</p> <ul style="list-style-type: none"> • Producer organisations supported to establish better organisational structures. <p>Awareness-raising around new organisations, rules and markets</p> <ul style="list-style-type: none"> • Worked with the Malian Company for Textile Development to provide technical support to African farmers to improve quality of cotton fibre. • Raise awareness among developed country consumers to make informed purchasing decisions. • Fairtrade Labelling Organizations International (FLO) and Max Havelaar informed manufacturers in the cotton sector in Europe that fair trade cotton-based products would soon be available. 	<p>Other approaches (not identified in the literature)</p> <p>Address power imbalance</p> <ul style="list-style-type: none"> • FLO aims to improve small farmer position in world markets. <p>Public goods</p> <ul style="list-style-type: none"> • There is also a development premium paid to farmers' organisations/cooperatives to finance collective projects that improve the situation of local communities in areas like health, education, environment and the economy.
<p>Evidence of strengthening and stabilisation of innovations</p>	<p>Communities of supporters</p> <ul style="list-style-type: none"> • FLO, Max Havelaar, Armor-Lux and other French, Belgian, Swiss and UK clothing retailers, Dagrís, Malian Company for Textile Development and other Malian cotton-growing companies, French Ministry of Foreign Affairs and the Business Development Center were all part of the efforts. • FLO is already an umbrella organisation operating in 20 countries. • Fair trade helps create a more direct connection between consumers and producers. <p>Dominant design</p> <ul style="list-style-type: none"> • Because fair trade cotton is often of a very high quality, Dagrís was positioning new brands based on quality and not on fair trade (although still sourcing from Fairtrade-certified producers). This could signal a shift from a fair trade niche to it becoming a dominant approach. (Alternatively, it could mean that the fair trade approach gets diluted.) <p>New markets</p> <ul style="list-style-type: none"> • Twelfefold increase in demand for certified cotton in 2005/06. 	
<p>Indirect systemic impacts</p>	<p>–</p>	

2. Sustainable cashew production

Systemic change	Were key elements of systemic change part of initiative design?	NO
	<p>Definition of problem</p> <ul style="list-style-type: none"> • A long list of systemic challenges were identified that explain why Guinea has a weak cashew production and marketing supply, producing far fewer cashew nuts than its neighbour Guinea-Bissau, despite similar climate conditions. These include lack of processing and post-harvest facilities so that most exports are raw nuts; poor investment climate in Guinea; lack of unified sector voice to government; lack of access to market and price information; lack of credit; numerous unorganised smallholders; lack of government support, finance and coordination; and corruption. <p>Initiative response</p> <ul style="list-style-type: none"> • Focus on incremental improvements: replacing cashew trees; improved seeds; farmer training to increase productivity and yields; linking buyers and sellers; environmental conservation; strengthening government institutions – with the overall aim of developing a more efficient supply chain. • Research was undertaken on how Guinea could process and add value to cashews and export them directly to the West, which could have led to more radical innovation. However, the conclusions of research were negative in terms of the current potential for a Guinean processing industry. 	
Were approaches utilised to strengthen and stabilise innovations?	N/A	
Evidence of strengthening and stabilisation of innovations	N/A	
Indirect systemic impacts	–	

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