Verena Bitzer · Ralph Hamann
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Editors

The Business of Social and Environmental Innovation

New Frontiers in Africa

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Part I
Introduction

Chapter 1
The Business of Social and Environmental Innovation

Verena Bitzer and Ralph Hamann

Abstract Innovative responses are necessary to address persistent and intertwined problems such as poverty, resource degradation, or food insecurity. There is a growing expectation for business to play a proactive role in this, but there are still remarkable gaps in our understanding of how exactly business can generate social and environmental innovation. This book focuses on the business of social and environmental innovation in the African context, where these issues are particularly relevant but even less well understood. The following chapter sets the scene by introducing the key concepts and issues at stake. We argue that the emergence of social and environmental innovation is often associated with individual efforts of social entrepreneurs, organizational transformation in incumbent businesses, and/or cross-sector partnerships as collective efforts. This is reflected in the sequence of the chapters in this volume. We identify four cross-cutting themes which are addressed in some way or other by each of the contributing chapters: (1) social innovation as a process or outcome; (2) mapping and scaling up innovations; (3) tension between social purpose and profit generation; and (4) socio-economic and institutional context.

Introduction

Trying to gain a better understanding of the role of business in developing innovative responses to complex social and environmental problems is becoming more urgent and more popular. As national and multilateral efforts in meeting some of the Millennium Development Goals or addressing climate change and resource degradation make only limited progress, increasing attention is paid to harnessing the entrepreneurial, innovative, managerial and financial capacities of business,

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at various scales, for improved social and environmental outcomes. A more proactive role for business in sustainable development is especially pertinent in sub-Saharan Africa, which has been plagued by conflict and poverty but is showing some signs of a brighter future as the world's second-fastest-growing region.[1] Traditional business models aimed purely at economic growth will not suffice, however, to tackle the amplitude of social and environmental challenges lying ahead. With this book we seek to contribute to the growing scholarly work on social and environmental innovation with the two-fold aim of studying the role of business in creating such innovation and focusing the analysis to the African context, where these issues are particularly relevant, but even less well considered.

Different facets of the role of business in social innovation, such as social entrepreneurship or business models that achieve "shared value" (Porter and Kramer 2011) or "inclusive growth" (George et al. 2012), are going mainstream, and they show no sign of losing their appeal for managers, policy-makers or students. The excitement, perhaps, is due to the obvious need for new sources of innovation and systemic change in the face of wicked problems (Rittel and Webber 1973), such as food insecurity, growing informal settlements or inner city decay, many of which are characterized by complex socio-ecological interrelationships (Liu et al. 2007). Besides this apparent *societal relevance*, social and environmental innovations are also of high *business relevance*. Even in the face of considerable degrees of uncertainty, such innovations may offer new market opportunities for businesses (Hart 2005; Thompson and MacMillan 2010) and may become critical for businesses to cope with and thrive in intractable problem contexts.

This poses the 'simple' question of how social and environmental innovation actually emerges. On one hand, social innovations are often linked to the individual efforts of social entrepreneurs. Some of these entrepreneurs rise from the grassroots to international prominence, such as the Grameen Bank's Muhammad Yunus, while many others struggle to make ends meet. Yet others operate within established businesses to affect change in corporate strategy or international value chains, going well beyond traditional corporate social responsibility (CSR) to develop new business propositions blending financial and social value. On the other hand, social innovations can emerge out of collective efforts when businesses join forces with NGOs, local communities and government agencies to address societal problems. Those initiatives may rely on informal networks (Wheeler et al. 2005) or constitute formalized cross-sector partnerships (Rivera-Santos et al. 2012). Such partnerships illustrate the benefits derived from combining complementary competencies and resources of unlikely allies. Individual and collective efforts for social and environmental innovation are often interdependent: Social entrepreneurs can be vital to foster partnership processes and vice versa, partnerships can provide important stimuli for social entrepreneurship to evolve. Business contributions to social and environmental innovation are thus very diverse and can differ with regard to, for instance, thematic orientation, strategic intent, organizational scale and design, and geographic scope.

[1] Fine, D., van Wamelen, A., Lund, S., Cabral, A., Taoufiki, M., Dörr, N., Leke, A., Roxburgh, C., Schubert, J. and Cook, P., 2012. Africa at work: Job creation and inclusive growth. McKinsey Global Institute.

Business and Social and Environmental Innovation – Making the Connections

Social innovation has turned into a popular buzzword in recent years, although a commonly accepted definition has yet to crystallize. Broadly speaking, the term refers to innovative approaches of dealing with social problems "for which the value created accrues primarily to society as a whole rather than private individuals" (Phills et al. 2008: 39). Other definitions stress the transformative aspect of social innovation in changing basic routines and norms as well as resource and authority flows within a given social system (Moore and Westley 2011). Common to all definitions, however, is that societal challenges are considered as opportunities – not problems – to make societies more inclusive and sustainable (Grimm et al. 2013). This signals an intentionality of social innovation that distinguishes it from social change as something that "just happens" (Franz et al. 2012: 4).

Social innovation can be driven by the actions of diverse role-players, among which the social entrepreneur takes a place in the spotlight. Drawing on prominent authors' work on entrepreneurship and applying these concepts to the social sector, Dees views social entrepreneurs as change agents with a mission to create and sustain social value through relentless, bold and accountable action serving this mission (Dees 1998: 4). As Dees concedes, this is an idealized definition, but it reflects the high expectations vested in social entrepreneurs and builds on Schumpeter's view of entrepreneurs as change agents in the economy: "The function of entrepreneurs is to reform or revolutionize the pattern of production" (quoted in Dees 1998: 2). Hence, social entrepreneurs are suggested to be able to reform or revolutionize the social sector. They often target local problems but may have much wider, even global relevance if innovative solutions get replicated elsewhere (Zahra et al. 2009). A further defining feature is the social mission of social entrepreneurs (Dacin et al. 2011), which is driven by the motivation to create value for society rather than to capture (financial) value for individuals (Santos 2012). This has elicited criticism from others, who have argued that leaving out viable financial income generating mechanisms from the definition of social entrepreneurship is "not only conceptually flawed, but psychologically crippling" (Boschee and McClurg 2003: 2). It is apparent that this tension between social mission and financial returns is a key feature of the role of business in social innovation. It has been fruitfully analysed conceptually in terms of competing institutional logics of hybrid organization's dual social and commercial purpose (Pache and Santos 2010; Mair and Martí 2010). This suggests that rather than seeing this tension as a definitional argument (for academics) or a vexing strategic problem (for practitioners), it can also be seen as an opportunity for innovation – in effect, this tension between differing priorities can provide fertile ground for creativity and innovation.

While the explanations above are helpful in sketching the ambitions of social entrepreneurship, all too often this romanticizes the role of social entrepreneurs as "heroic, energetic, and impatient individuals" (Mulgan 2006: 148). Such individuals

may in fact be the "carriers… rather than originators" of ideas that emerge in a wider institutional setting (op cit.: 149). Mair and Martí (2006) criticize the focus on the personality of the social entrepreneur and give expression to the growing interest in the activities underlying social entrepreneurship. Social entrepreneurship is "a process resulting from the continuous interaction between social entrepreneurs and the context in which they and their activities are embedded" (Mair and Martí 2006: 40). Narrowing our view of social entrepreneurs to heroic individuals may also blind us to the important organizational aspects of social innovation, including strategic, operational, and institutional dimensions (George et al. 2012; Chowdhury 2012). This is echoed in recent studies underlining the importance of collaborative relationships of social entrepreneurs with commercial and non-commercial partners as a means to operate a social networking strategy (Zahra et al. 2009; DiDomenico et al. 2010). In fact, much of social entrepreneurship appears to be collaborative and collective, drawing on external resources to effect change (Montgomery et al. 2012).

These findings articulate that social innovation extends beyond social entrepreneurship and the boundaries of the firm, and includes new ways of organizing and new types of interactions between non-traditional partners. The wide-spread emergence of cross-sector partnerships, understood as collaborative arrangements between actors from different societal sectors, is largely a testimony to their potential for change (Seitanidi et al. 2010) – in other words, their ability to collectively generate innovative practices to pressing social and environmental problems. Underlying this premise is the basic recognition that many of today's extraordinary challenges, such as food insecurity, environmental degradation or child labour, by far exceed the scope and resources of individual actors and demand a coordinated and collaborative approach. Different societal actors are critical in co-creating innovation, ranging from businesses and governmental agencies to NGOs and other civil society organizations. At least in theory, the cross-sector nature of partners allows for the convergence of economic, social and environmental goals. From a resource-based perspective, partnerships are heralded as innovative mechanisms that bring together actors with diverse resources and capabilities to overcome single actor failure and create social value (Austin 2000; Selsky and Parker 2005). Processes of social learning are stimulated as organizations share information and co-create knowledge and skills (Murphy et al. 2012). Partnerships are thus not ends in themselves, but rather instruments to exploit the interdependencies in the relationships between actors necessary to jointly create social innovation.

A variety of studies have documented the importance of partnerships in 'base of the pyramid' (BoP) markets, where the need for social innovation – often also termed frugal or inclusive innovation in this context – is particularly acute in the face of general market failure, lacking institutions and infrastructure, and poor, disenfranchised communities (George et al. 2012). Whereas initial BoP writings concentrated on the question of how to meet the latent consumer needs of the poor, a recent shift has seen an emergent focus on the co-development of productive innovations through participatory processes between businesses, local communities and other stakeholders (Simanis and Hart 2009; Arora and Romijn 2012). For instance, by engaging in partnerships, businesses may receive access to contextualized knowledge on formal and informal institutions (Webb et al. 2010) and on specific

needs of people at the BoP (Hahn and Gold 2014). Their partners, on the other hand, may benefit from the managerial and technical know-how of businesses as well as from access to capital and global production networks (Dahan et al. 2010).

However, the challenge of collaborative alliances lies in managing the complexity involved in having partners with fundamentally different institutional logics and operating principles. Whereas businesses are associated with a market-based, profit-seeking logic, NGOs are typically rooted in a social welfare, non-profit logic. This creates a situation of institutional dichotomy (Vurro et al. 2010) which makes collaboration for social innovation vulnerable to tensions and conflict unless trust is created (Le Ber and Branzei 2010). High degrees of institutional complexity may also translate into increased difficulties to recognize the value of external knowledge (Murphy et al. 2012). Geographical and cultural distance may further limit the ability of partners to "speak the same language" (Manning and Roessler 2014). This showcases some of the challenges in facilitating authentic interaction and fostering relational capacity for social innovation (Le Ber and Branzei 2010; Murphy et al. 2012).

Thus far our review has concentrated on social innovation, i.e. efforts targeted at social problems. However, bearing in mind the close inter-relationship between many social problems, such as poverty and marginalization, and environmental change and degradation, particularly in large parts of Africa (cf. Hamann et al. 2002; Kates and Dasgupta 2007), we emphasize the close links between 'social' and 'environmental' innovation. Indeed, the blurring and sometimes obsolete boundaries between social and environmental innovations have found recognition in the term 'sustainability innovation' to indicate different types of complementary innovations that together create ecological, economic and social value (Boons et al. 2013).

Even many 'social' entrepreneurs explicitly seek to address not just one particular category of either social or environmental issues, but try to address a range of inter-related social and environmental concerns. Indeed, finding innovative means of making such linkages between social and environmental concerns can be an important aspect of sustainability entrepreneurs' business models. This confluence of explicit social and environmental goals is also apparent in more recent definitions of social enterprises as "businesses trading for social and environmental purposes" (SEC 2009: 8). This does not mean that some social innovation efforts may not identify themselves as being more specifically concerned with a particular social or environmental issue. More significantly, it should not blind us to the possibility that there may be trade-offs between social and environmental consequences. Indeed, a heightened consciousness of the possibility for such trade-offs and unintended outcomes, and the need to proactively address them, ought to be a defining feature of sustainability entrepreneurship and indeed of social innovation more broadly.

Objectives of the Book

The topic of social and environmental innovation has gained momentum in recent years. Yet, despite growing interest in this topic and a growing amount of literature, there are still remarkable gaps in our understanding of both the processes and

outcomes of social innovation. Especially when compared to the 'traditional' study of business innovations, research on social and environmental innovation "rarely goes beyond anecdotes and vague generalizations" (Mulgan 2006: 146), which has created a hype around the topic whilst many of the most pressing questions about the practices of social innovation remain unanswered (cf. Seelos and Mair 2012; George et al. 2012). Similar concerns have been voiced about social entrepreneurship research, which, according to Dacin et al. (2011: 1205), "portrays a largely stylized picture of what social entrepreneurs actually do". In the face of numerous unmet social and environmental challenges, there is a dire need to get a better understanding of how businesses – through entrepreneurial initiatives and/or collaboration with other stakeholders – can contribute to processes and outcomes of social innovation, and how organizations can address the challenge of combining social and economic value creation. This may not only inform theory but also serve as a guide to practice and help spur targeted investments in social innovation.

The research gap on social innovation is particularly acute in Africa, even though the needs are perhaps greatest in this region. At the same time, there are manifold examples of home-grown social (and environmental) innovations in IT services, mobile technology, banking, microcredit, agriculture and nature conservation all across Africa – most of which have received little or no attention from research. To begin to address this gap is an important objective of this book.

While social innovation per se has received relatively little dedicated scholarly attention, there are, of course, a broad array of narratives and scholarly traditions to draw upon. This also brings with it the risk of these discussions developing as disconnected narratives. One narrative focuses on poverty and poverty traps in the 'developing world' with increasing emphasis on Africa (e.g. Collier 2008; Sachs et al. 2004); a second looks at social entrepreneurship and its potential in 'emerging economies' such as Brazil and India (e.g. Bruton et al. 2008); yet another is focused on the 'third sector' in the 'developed' economies of Europe and North America (for example, the 'Big Society' agenda in British politics) (e.g. Maguire et al. 2004). In addition, a rather separate conversation is being held on eco-innovation and social transitions, with a common focus on industrialized economies (e.g. Rennings 2000; Nill and Kemp 2009). There is also a pertinent literature highlighting risks and opportunities of new forms of governance that place greater emphasis on the private sector in addressing social and environmental issues (e.g. Moon 2002), and this is arguably especially relevant in circumstances where states cannot fulfil expectations (Risse and Lehmkuhl 2010). Hence, a related, second objective of this book is to foster some cross-fertilization between these narratives and strands of thought related to the role of business in social and environmental innovation.

We are also interested in the role that academics, particularly in business schools, play (or can play) in equipping their students with the required skills to contribute to social and environmental innovation. However, even though "social entrepreneurship conferences are invariably the best attended events for students at leading business schools" (*The Economist*, 14 August 2010: 51), arguably most business school academics still have an overwhelming focus on the firm itself, without much understanding of the social and environmental context in which firms operate, much

less the complex dynamics and inter-relationships between social and ecological systems (Liu et al. 2007), between society and science (Kates et al. 2001), or between communities and national or international policy regimes (Brunner and Lynch 2010). This gives rise to another specific objective of this book, which is to expand the debate among business and enterprise scholars to learn from, and perhaps also contribute to, related fields of inquiry in other disciplines.

The various terrains of social innovation outlined thus far encompass four cross-cutting themes, which are addressed in some way or other by each of the chapters of the book. These are introduced below, as the 'frontiers' in the business of social and environmental innovation, both from a theoretical and practice-oriented perspective.

Frontiers in the Business of Social and Environmental Innovation

Social Innovation as Process and Outcome

The term innovation can pertain to both the process of innovation and the outcome of innovation. One of the most widely used definitions postulates that innovation is "an on-going process of learning, search and exploring, which result in new products, new techniques, new forms of organization and new markets" (Lundvall 2010: 8–9). This reflects a shift in thinking on innovation which has occurred over the past few decades, from a purely outcome-oriented perception to the recognition that innovation is also a "process of learning and knowledge creation through which new problems are defined and new knowledge is developed to solve them" (Lam 2005: 124).

Similarly, social innovation is often used in two distinct ways, as observers tend to focus either on the process of innovation or on the outcome of innovation. This duality reflects in some of the recently suggested definitions of social innovation. Dawson and Daniel propose that "social innovation refers to the *process* of collective idea generation, selection and implementation by people who participate collaboratively to meet social challenges" (Dawson and Daniel 2010: 16; own emphasis). This view relates social innovation to changes in the societal and relational aspects of a given socio-technical system (for instance, a firm), as opposed to changes in the technical aspects. Others, however, concentrate on the outcome of social innovation and its distinctiveness to other types of innovation. An innovation is a social innovation "if the implied new idea has the potential to improve either the quality or the quantity of life" (Pol and Ville 2009: 881).

The latter view is also the most dominant in studies on social innovation, which not only renders the locus of social innovation – the where, why and how – a black box, but also underestimates the importance of new processes for new solutions (cf. Seelos and Mair 2012). Sally Osberg, president and CEO of the Skoll Foundation – one of the world's most well-known social entrepreneurship foundations – recently

told how she used to view social entrepreneurs as "individual actors" whose ideas led to the "creative destruction" necessary to bring about systemic change. "But over recent years", she added, "I've come to see how the 'social' that characterizes their purpose also characterizes their way of working. In other words, social entrepreneurs don't just pursue a social end; they pursue that end in a fundamentally communal way."[2] This puts the spotlight on new management practices and new managerial capabilities needed for social innovation to emerge; in other words, the "intervention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals" (Birkinshaw et al. 2008: 825).

Ultimately, social innovation encompasses both aspects – process and outcome – revolving around "new social practices with new social ends and new social means" (Franz et al. 2012: 6). Thus, 'new' and 'social' are the key words in this context. The aspect of newness relates to the character of an innovation as something that is perceived as new in a particular locality or by particular actors – rather than referring to a worldwide novelty. The social aspect pertains to the overarching goal of achieving positive social change.[3] Phills et al. (2008) consider this a matter of improved effectiveness or efficiency as compared to the pre-existing situation.

The contributions in this book mirror the dual character of social innovation. While some chapters emphasize the outcome orientation of social innovation, others go in-depth to explore the process aspects of social innovation. Yet, it is not a matter of 'either or' and important overlaps and complementarities between these two approaches can be observed, which can be captured in the phrase "innovative processes for innovative outcomes" (see Balkema and Romijn 2015; Hamann et al. 2015; Kuenkel and Aitken 2015). McLachlan et al. (2015) present the case of the Southern Africa Food Lab which aims to contribute to improved food security precisely by implementing a novel process of facilitating uncommon conversations and self-reflection among a diverse range of role-players in the food system. These innovative processes feature two main dimensions. Firstly, there is a *relational* dimension in that these processes often entail the collaboration among actors that are not used to dealing with each other – actors that are coming from different organizations and from different societal sectors. These reciprocal relationships constitute the foundation of social innovation, Moore (2015) writes, as they facilitate the development of 'value capital', which not only focuses on restricted economic capital but comprises more distributed social value. Secondly, innovative processes entail a dimension of knowledge exchange and *learning*. Initially, this refers to the challenge of learning how to collaborate. Moore shows that new relationships with non-traditional partners – for instance, relationships between public and private actors – cannot draw on existing templates of behaviour and require new organizational capabilities in order to deal with contradicting problem frames and to align differing value propositions. Concurrently, learning needs to go beyond such a focus on organization-specific

[2] Quotations taken from http://opinionator.blogs.nytimes.com/2012/11/13/the-rise-of-social-entrepreneur/

[3] Depending on the type of innovation, the word 'social' can also be replaced or supplemented by the word 'environmental'.

capabilities. McLachlan et al. suggest that social innovation aiming at systemic transformation requires 'triple loop' learning which reconsiders the underlying values, norms and protocols in which actors and policies are embedded (Armitage et al. 2008; Pahl-Wost 2009). Especially in complex situations where there is no clear right or wrong course of action, the knowledge and learning space needs to be intentionally widened to make socially responsible and appropriately reflective choices, Hall (2015) argues. Nilsson et al. (2015) specify that learning should encourage a shift from a corrective mind-set, attempting to fix problems, to a transformative mind-set, challenging widely accepted logics, practices and relationship patterns.

Seen from this perspective, one of the challenges of social innovation is ensuring inclusivity. Kuenkel and Aitken caution that excluding important stakeholders threatens the legitimacy of innovative processes. At the same time, this does not denote that everybody has to be included, pointing to the intricate task of finding out "which stakeholders can help to create the change in thinking" required for innovative processes to come to life, the authors argue. Even within a given organization, the question arises of how to ensure that new practices aiming at social and environmental innovation are inclusive in a way that encourages individuals (e.g. employees) to support the change. In their analysis of a large incumbent business, Hamann et al. accentuate the importance of involving different parts of the organization to create a type of 'folklore' within the company in support of social innovation.

Mapping and Scaling Up Social Innovations

Beyond the conceptual distinction between social innovation in terms of purpose or process, it is clear that social innovation can take a wide variety of forms and can be implemented with a range of ambitions. Innovation studies commonly group innovations according to type; for instance, new products, new processes, new services, new markets or new organizations. Furthermore, innovations can be mapped with regard to the degree of novelty and magnitude of change which they introduce. Authors typically make a distinction between incremental versus radical innovation. Incremental innovations feature a relatively low degree of novelty and operate within existing windows of opportunity. Since they do not trigger any disruptions at the macro level, they are also referred to as "sustaining" innovations (Bower and Christensen 1995). Radical or disruptive innovations are characterized by a high degree of novelty and cause for discontinuities both at micro and macro levels. They often involve a 'package' of innovations, e.g. product, process and organizational innovations.

Innovations may trigger systemic transitions on two levels. Firstly, impact can be created in the form of changes of the technology system, i.e. far-reaching changes in technology, which affect several branches of the economy (Geels 2005). Secondly, innovations may provoke changes in the techno-economic paradigm (Freeman and Perez 1988), denoting pervasive changes that influence the behaviour of the entire economy.

This typology indicates a spectrum of innovation types depending on their impact on society and the economy. Such categories and approaches are also often used in social innovation research. Hubert (2010: 36–39), for instance, suggests framing social innovations by qualifying their particular social dimension. On the most basic level, 'grassroots' social innovations respond to pressing social demands of vulnerable groups in society which are not addressed by the market. On a broader level, 'societal' social innovations address greater social and environmental challenges, in which boundaries between social and economic are blurred. Finally, 'systemic' social innovations generate fundamental changes in behaviour, values, strategies and policies. This category corresponds to what Christensen et al. (2006) term "catalytic" social innovations: fundamentally new approaches which are scalable and set in motion long-term social change.

In practice, we can probably find most social and environmental innovation initiatives to be located somewhere on the first two levels. This is what the contributions of this book seem to indicate, which largely deal with initiatives that aim to change existing practices in particular settings. We may identify such innovation through a change in business models, as the chapters by Smith and Seawright, Balkema and Romijn, and Hamann et al. illustrate. For instance, Balkema and Romijn describe an innovative smallholder outgrower model for Jatropha biofuel production in Tanzania, which seeks to combine profit making (tapping into the growing global market for biofuels) with social objectives (providing additional income to impoverished communities) and environmental benefits (reducing pressure on natural resources through crop diversification, among others). However, not only do doubts remain as regards the economic efficiency of the described model, the authors also detail the significant challenges to up-scale this model and achieve wider, long-term change.

Other times the potential to achieve catalytic change may be at odds with the potential to reach scale. In such cases, power dynamics become important in influencing which options eventually gain precedence, unless innovative, alternative options can be developed. In the case of the Southern Africa Food Lab, discussed by McLachlan et al., the decision to include some of South Africa's dominant retail companies in the initiative creates opportunities for far-reaching impact, but it may also be seen to restrict the ability to develop radical innovation, such as community-based food systems that effectively circumvent the present role of large retailers in food value chains. Radical or disruptive innovation necessitates purposeful engagement in institutional work through challenging the fundamental features and relationships of entire systems, Nilsson et al. posit. To what extent this is possible with powerful actors who benefit from current conditions and who may not be prepared to invest in social innovation with uncertain outcomes is thus open to debate.

The close and possibly tense relation between the degree of innovation and the scale of innovation has taken a prominent place in the debate surrounding social innovation. Given the dimension of social-ecological challenges facing us at local and global levels, much attention has been paid to how initially small, locally pertinent innovations can be grown or adapted to make a larger, broader impact. A range of options has been described. One possibility is for the initiative or organization

itself to grow organically; for instance, when there is effective demand and effective supply with respect to a specific social innovation (Mulgan et al. 2007). Replication and diffusion, for instance of ideas and business models, is often mentioned as the option at the other end of the up-scaling spectrum (Mulgan et al. 2007). One example of such a diffusion strategy is provided by McLachlan et al. in their analysis of the Southern Africa Food Lab which uses prototyping projects to test ideas and practices on a small-scale before replicating.

Yet, going to scale remains inherently difficult. In their chapter on social and environmental enterprises in Africa, Littlewood and Holt (2015) use data on over 270 social innovation organizations across 19 African countries and found only very limited evidence of up-scaling. Most organizations appear to be localized in their operations, with only few of them being active in more than one country. Balkema and Romijn identify the growing tensions between profit making and societal objectives as a key impediment to enhancing the scale of operations. Limited skills and expertise of entrepreneurs are another plausible explanation for the lack of upscaling, following Smith and Seawright (2015). While promoting social entrepreneurship as an ailment to different types of societal problems has been a popular mantra over recent years, the lack of higher success rates and greater impact are often grounded in a lack of capacity and resources. Smith and Seawright also show the difficulties for grassroots social entrepreneurship to escape the confines of the informal economy and to access formal supply chains as a gateway to enhancing scale. In these instances, they suggest that "development franchising", i.e. "franchising that begins at a micro scale in developing economies", can be deployed to assist potential entrepreneurs to acquire the skills and resources necessary for increased scale as well as overcoming the challenge of scale diseconomies. This confirms the general tenor in the literature on social innovation that scaling requires substantial resources, regardless of which strategy is chosen (Dees et al. 2004).

Value Creation and Appropriation, and Competing Logics Within Social Innovation

The tension between social purpose and income (or profit) generation has already been mentioned above as a defining feature of the social entrepreneurship debate. Two conceptual lenses can be applied to analyse this tension more closely. The first is in terms of business plan innovation, in which the business model literature that has developed around the emergence of e-business, in particular, can be fruitfully adapted to the analysis of social innovation activities. Zott et al. (2011: 1020) provide a comprehensive literature review on the concept of business model, finding that:

> Despite conceptual differences among researchers in different silos (and within the same silo), there are some emerging themes. Notably, (1) there is widespread acknowledgement–implicit and explicit–that the business model is a new unit of analysis that is distinct from the product, firm, industry, or network; it is centered on a focal firm, but its boundaries are

> wider than those of the firm; (2) business models emphasize a system-level, holistic approach to explaining how firms "do business"; (3) the activities of a focal firm and its partners play an important role in the various conceptualizations of business models that have been proposed; and (4) business models seek to explain both value creation and value capture.

The tension between social purpose and income generation in social innovation activities can be framed in terms of the relationship between value creation and value capture, especially because Zott et al. note that "value" can be defined in a variety of ways, including also "social value". For instance, Seelos and Mair (2007: 53) approach the notion of business model as a "set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives" (see also Thompson and MacMillan 2010). Social innovators developing business and market-linked approaches are in effect challenged to develop a business model that creates social value, while at the same time capturing at least some financial value. Obviously this is a particularly demanding combination for business model design. Not only is this design difficult because of the requirement to create both social and financial value, but a careful balance needs to be struck between value creation and value capture – too much emphasis on the 'capture' side of the coin may imperil the 'creation' side. Yet, if no value can be captured through the core activities of the social innovation initiative, it will rely on grants or ancillary activities, which will hamper the scaling of the initiative.

Such is the experience of the biofuel production scheme in Tanzania discussed by Balkema and Romijn (2015). This social entrepreneurship initiative has been struggling to strike an adequate balance between profit making and social/environmental objectives, with the result that it did not manage to make profits and relied heavily on external subsidies for several years. In order to become profitable, the initiative decided to expand its activities which, however, appears to lead to increasing tensions with the realization of social and environmental gains.

The chapters by Bland and Hamann (2015) and McKague et al. (2015) suggest that these contradictions within the business model may be less pronounced in base of the pyramid (BoP) initiatives. There seems to be no necessary tension between doing business and servicing BoP markets if there is continuous alignment to the business imperative (though difficulties arise due to the cultural distance between the targeted customers and corporate managers and their organizations), Bland and Hamann write. McKague et al. propose that it might help to reduce tensions between value creation and value capture when businesses conceptualize the multiple roles that the poor can play beyond simply producers or consumers of goods and services.

The second lens is that of institutional logics, or patterns of rules, norms, cognitive frames and habits, which provide structure to individual and organizational action (Thornton et al. 2012). When discussing the tension between social purpose and financial income generation, this lens gives attention not only to overt struggles of power in organizational decision-making, but also to the more subtle processes through which people and organizations define themselves. Jay (2013) applies an

institutional logics perspective in an ethnographic study of an intermediary organization promoting energy efficiency, arguing that the organization went through a process of grappling with competing definitions of its purpose (as providing services either to clients or to the public). This 'service paradox' could lead to conflict or an oscillation between the two logics, or to an alternative, hybrid form of purpose definition. A likely precondition for the latter is the ability of social innovation leaders to grapple with paradox, rather than shy away from it.

However, in practice this may be far from simple. In the African Cashew initiative, illustrated by Kuenkel and Aitken (2015), different institutional logics came to play despite the considerable experience of the lead organization – a public development agency – in engaging in and facilitating cross-sector partnerships. After the initiative navigated through the initial stages of collaboration relatively smoothly, the different implementation styles of the partners, stemming from their different missions and core functions, turned out to be difficult to reconcile. Similarly, Moore notes that the fundamentally different missions of the three organizations involved in a cross-sector partnership for regional development – a government agency, a university and a private business – and their discrepant interests in the partnership gave rise to conflict which threatened the fragile equilibrium which the partnership had managed to build. A re-organization of the partnership was necessary to establish the ground for a renewal of the social innovation; yet, due to limited adaptive capabilities of the partners involved, "the partners failed to formulate the kind of game-changing innovation that might have promoted a shift in the socio-economic regime of the region".

Socio-economic and Institutional Context

Finally, given that a key objective of this book is to contribute to our understanding of social innovation in the African context, it is important to explicitly consider the role of this context, looking at least at economic and institutional factors, and their interaction. In translating some of the concepts and practices of social innovation from developed to developing country contexts, a range of issues need to be considered. Two of these will be highlighted here.

First, the socio-economic and political priorities in Africa are often dominated by stark poverty, lacking access to public goods and services, and other relatively short-term development objectives – even though local and global environmental changes are likely to affect the poor in poor regions, such as Africa, particularly hard (Davidson et al. 2003). This socio-economic context will, of course, influence the objectives of social innovators, and indeed it may influence our definition of what we mean by social innovation. For instance, the distinction between 'normal' entrepreneurship and 'social' entrepreneurship may not be all that clear in developing country contexts – establishing a business in extremely resource-constrained environments may well entail social innovation in terms of both purpose

(in terms of generating jobs and giving hope), as well as process (given the challenges of creating viable business models and implementing them in such a context).

The second factor has to do with the limited ability of states in many developing countries to enforce commonly binding rules and provide public goods and services. In areas of limited statehood (Börzel and Risse 2010), therefore, it is questionable whether the implicit or explicit role of states in creating socio-technical niches (Loorbach 2007) or facilitating deliberation on societal priorities (Meadowcroft 2005) is feasible. Again, developing viable businesses in "institutional voids" (Mair and Martí 2010) fulfils a range of social innovation criteria related to both purpose and process.

Indeed, all contributions to this book emphasize the critical influence of 'context' on social and environmental innovation, both directly, for instance by shaping the business model underlying such innovation, and indirectly, by offering a difficult operating environment, including inefficient or non-existing supporting infrastructure, lacking credit opportunities, and a low education and skills base. Bland and Hamann describe how such a context creates significant barriers to investing in social innovation in BoP markets, while Balkema and Romijn show that even when entrepreneurship initiatives have overcome these high barriers to entry, contextual conditions continue to shape the content and development of entrepreneurship; for instance, by making it difficult to expand and upscale activities.

At the same time, the socio-economic context in Africa creates an enormous need for social and environmental innovation which acts as a key driver for new initiatives to emerge – through entrepreneurial activities (Littlewood and Holt), organizational innovation in incumbent businesses (Hamann et al.) or cross-sector collaboration (McLachlan et al.). In their case study of a large South African retailer, Hamann et al. note that this retailer increasingly recognized the interdependence between company performance and the challenging socio-ecological context, and identified a strong commitment to organizational innovation as a significant potential source of competitive advantage. Littlewood and Holt also detect how the African context gives rise to an increasing convergence of social and environmental innovation. Whereas in developed economies these are relatively discrete, the interconnectedness of many social and environmental problems in Africa contributes to a burgeoning group of 'hybrid' sustainability enterprises that combine social and environmental imperatives (Littlewood and Holt).

Finally, Nilsson et al. remind us that context is not only an external variable imposing institutional barriers which need to be overcome and changed. While acknowledging that these external institutions, such as rules, governance structures or explicit norms, are important, the authors propose that it is necessary to reflect on how our internalization of these external institutions are mirrored in our behaviour and manifested subtly in day-to-day interactions. "This internal emphasis reminds social innovators that we embody the institutions we are trying to change and that self-reflection and community dialogue offer some of the most immediate access to deeply tangled and sedimented institutional patterns" (Nilsson et al.).

A Brief Guide to the Book

Part II – An Entrepreneurial Lens to Social Innovation

Social entrepreneurship is still a nascent field of inquiry which so far poses more questions than it has been able to answer. The lack of definitional and conceptual clarity (Mair and Martí 2006; Martin and Osberg 2007; Dacin et al. 2011) limits our understanding of what social entrepreneurship actually means and what value it can bring to society. Social entrepreneurship is riddled with tensions and little is still known on how entrepreneurs manage to combine social and business objectives or how they can upscale their activities. In an African context, entrepreneurs additionally have to face "the reality of everyday challenges" (DeBerry-Spence and Abbam Elliot 2012). These knowledge gaps are some of the issues addressed by the three chapters in Part II of this book.

Littlewood and Holt (Chap. 2) provide an overview of the landscape of social and environmental entrepreneurship in Africa. Utilizing quantitative data on 270 social and environmental enterprises operating in Eastern and Southern Africa, they discover that social and environmental enterprises are often not discrete, but form a burgeoning group of 'hybrid sustainability-oriented enterprises' clustered on the intersection between social and environmental objectives. The authors suggest that this convergence can, to a large extent, be linked to the contextual setting, where it is often futile to address social concerns without adequately paying attention to environmental issues, and vice versa.

The following chapter by Smith and Seawright (Chap. 3) introduces the concept of 'development franchising'. Whilst promoting micro-entrepreneurship has become a popular strategy for poverty alleviation, the authors observe that not all would-be entrepreneurs are endowed with the necessary skills and expertise to become successful in their endeavours. Moreover, microenterprises are often confined to the informal economy with limited access to formal supply chains. As one potential solution for overcoming these two major challenges, Smith and Seawright propose that development franchising – franchising that begins at a micro scale in developing economies – can be employed as a social innovation.

Romijn and Balkema (Chap. 4) focus on the tension between income generation and social and environmental purpose in social entrepreneurship. They present a case study from Tanzania, where a foreign investor introduced a smallholder outgrower model for Jatropha biofuel cultivation to conjoin profit making with social and environmental goals. The chapter analyses how this business model is adapted to survive through the different stages of the innovation process. The authors observe that, as the enterprise starts to become more efficient and tries to upscale, profit making objectives take precedence over social and environmental objectives and trade-offs between social and environmental goals become increasingly visible.

Part III – Strategies for Incumbent Businesses to Engage in Social Innovation and BoP Markets

Social innovation can also emerge through the efforts of incumbent, large businesses, where it may be labelled "corporate social entrepreneurship" (Austin and Reficco 2009). In this context, social innovation is not achieved by adjusting existing business models, but requires a values-based organizational transformation of the way the company works (Austin and Reficco 2009). This not only implies that businesses need to seek new ways of engaging with other societal actors, but that the overall roles of business, government and NGOs in society also shift. The chapters of Part III of this book therefore examine how organizational transformation of companies may look like, and how this contributes to a broader re-configuration of the relations among actors in society.

Hamann, Methner and Nilsson (Chap. 5) pick up the debate on how and why companies make strategic commitments to sustainability and develop the organizational capabilities for achieving them in innovative ways. They present an in-depth case study of a South African retail company which has recently implemented an organization-wide sustainability programme. The authors trace the different innovations linked to the implementation of this programme and explore how novel organizational and relational capabilities, including new relationships with stakeholders, were necessary to conceive and realize such innovations.

The contribution by Bland and Hamann (Chap. 6) shifts the focus to BoP markets, which have recently been portrayed as opportunities for new markets and sources of innovation. The chapter therefore aims to understand how companies respond to the recommendation of developing BoP strategies and specifically what some of the key obstacles are for them to do so. The authors identify six inhibiting factors and explore them through case studies of food manufacturing and retail companies in South Africa. As these constraints are often connected, Bland and Hamann identify a set of interrelationships which can help managers develop priorities for strategic actions and timeframes.

The chapter by McKague, Wheeler and Karnani (Chap. 7) develops an integrated framework to map the roles of the private sector, government and civil society in poverty alleviation. For private enterprises and social entrepreneurs, strategies to engage with the poor include working with them as sources of information, as suppliers, as employees and as distributors. Governments' functions include the provision of an enabling environment, while civil society is suggested to act as a catalyst and watchdog to ensure that both the private sector and governments live up to societal expectations. The authors conclude that understanding the various roles of societal actors can help social entrepreneurs make realistic progress in developing social innovation.

Part IV – Cross-Sector Collaboration and Social Innovation

The previous chapters have revealed the importance of social entrepreneurs' and companies' relationships with other organizations from civil society and government for promoting social and environmental innovation. Especially for developing inclusive business models and reaching BoP markets, cross-sector collaboration may well be necessary to combine business interests with social objectives and mitigate constraints arising from institutional voids (Mendoza and Thelen 2008; Webb et al. 2010; George et al. 2012). To understand how partnership models enable innovative solutions to complex societal problems, the following three chapters of Part IV give dedicated attention to the partnering processes, i.e. the innovations in the relational aspects of working together, and the implications thereof for the resulting innovation outcomes.

The chapter by Moore (Chap. 8) traces the trajectory of a regional development partnership in South Africa which seeks to address poverty in an economically underdeveloped region while simultaneously advancing the interests of the actors involved. This reflects the two dimensions of social innovation: generating social and economic value and re-ordering sectoral relationships to achieve this shared social purpose. The thrust of this case study is an analysis of the evolving relationships between the chief protagonists in the partnership. Thereby the chapter seeks to locate the various actors within a sociological frame of discussion and proposes a conceptual language that can be used to account for the dynamics observed in social innovation partnerships.

The chapter by McLachlan, Hamann, Sayers, Kelly and Drimie (Chap. 9) extends the discussion on the interplay between the two perspectives on social innovation, i.e. process vs. outcome. The authors approach this interplay by analysing their experiences as convenors, facilitators and participants of the Southern Africa Food Lab as a social innovation effort to address food insecurity. The chapter focuses particularly on the challenges and opportunities involved in developing such an initiative. After providing a rationale for transformative change in the South African food system, the authors highlight key elements of the Lab's change theory and how this helped to deal with conflicting dynamics in social innovation.

Chapter 10 by Kuenkel and Aitken traces the development of a large multi-stakeholder partnership in Africa – the African Cashew initiative – to understand the key factors for the successful implementation of such partnerships. This is based upon the recognition that any attempt to initiate, implement or facilitate collaboration processes between different stakeholders is an intervention into a fragile and often controversial system of actors. By drawing on two years of practical experience with the African Cashew initiative, the authors discuss eight key factors for the success of complex partnerships in four successive phases and illustrate their relevance with examples from the initiative.

Part V – Social Innovation and the Role of Higher Education

The preceding chapters of this book have underlined that "The Business of Social and Environmental Innovation" is not equal to "business as usual". Be it through social entrepreneurship, explicit corporate engagement, or cross-sector collaboration, social innovation entails a new approach to business in society. Then what does this imply for business schools and higher education institutions which are charged with the task of training students on business and management? The final two chapters of this book offer some thoughts on how the topic of social innovation can be institutionalized in the teaching curriculum and how higher education's relevance to society can be strengthened.

In Chap. 11, Nilsson, Bonnici and Griffin-EL offer an overview of the 'Social Innovation Lab', a course for MBA students enrolled in the University of Cape Town's Graduate School of Business. The ambition of this Lab is to catalyse deep social change. It is admittedly an ambition that sets course participants up for immediate and assured failure in the short term. However, the authors propose that a long term view to benefits is more appropriate in this case. They surmise that the course prepares students and faculty alike to become more engaged, creative and sanguine contributors to the larger currents of change and inquiry at work in the world.

The final chapter of the book (Chap. 12) by Hall is based on the premise that the provision of education – at all levels – is one of the key elements in addressing both poverty and inequality. However, Hall argues that the current market-centred approaches to providing education are inappropriate for this purpose, since they render educational attainment as a positional good that may exacerbate inequality and restrict access to education to elite groups. The purpose of the chapter is to challenge this assumption, and to draw debates about education policies into the nexus of work on sustainable, social and environmental innovation.

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Part II
An Entrepreneurial Lens to Social Innovation

Chapter 2
Social and Environmental Enterprises in Africa: Context, Convergence and Characteristics

David Littlewood and Diane Holt

Abstract This chapter provides an overview of the landscape of social and environmental entrepreneurship in Africa. Utilizing quantitative data on 270 social and environmental enterprises operating in Eastern and Southern Africa, some key characteristics of these kinds of enterprises are identified. These characteristics are reflected upon through a contextual lens contributing to wider debates about the nature of social and environmental entrepreneurship and enterprises in Africa. Drawing upon notions of hybridity, and sustainability oriented entrepreneurship, consideration is furthermore given to the convergence of social and environmental goals in these kinds of businesses, and in wider social and environmental innovation in Africa.

Introduction

It is widely suggested that social and environmental entrepreneurship has a key role to play in sustainable development and poverty alleviation in Africa. The United Nation's sustainable development SEED Initiative identifies these kinds of alternative entrepreneurship, as critical for improving incomes, strengthening livelihoods, and tackling marginalization and poverty on the Continent, in ways that are sustainable and conserves natural resources and ecosystems (SEED and IISD 2009). The enthusiasm currently surrounding social and environmental entrepreneurship has been accompanied by increasing academic interest (Dacin et al. 2011; Santos 2012). Yet as a field of inquiry it remains relatively nascent, with the research agenda still emerging (Mair and Marti 2006). To date, research examining social and

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environmental entrepreneurship in Africa has often come in the form of stories involving one or a limited number of case studies (Thompson and Doherty 2006), and has frequently focused on a single country, sector or type of enterprise activity. There are few country wide studies (Kerlin 2009), or examples of comparison across countries or industries.

The influence of context and environment on social and environmental entrepreneurship is recognized as an important area for further research (Di Domenico et al. 2010; Bacq and Janssen 2011; Bitzer and Hamann 2015). This research responds to calls for greater attention on this subject, and contributes to understandings of social and environmental entrepreneurship and enterprises in Africa, including how they may differ from manifestations in the developed world, as well as in other developing areas. Utilizing data on over 270 social and environmental enterprises operating in Eastern and Southern Africa, some key characteristics of these kinds of enterprises are identified and reflected upon. Drawing upon notions of hybridity, and sustainability oriented entrepreneurship, consideration is furthermore given to the frequent convergence of social and environmental goals in these kinds of businesses, and in the wider landscape of social and environmental innovation in Africa.

An Emerging Research Agenda

Over the last 20 years there has been a surge in interest, both inside and outside academia, in the role that business can play in addressing social, environmental and development concerns. In policy circles, business is now often seen as part of the solution to wicked problems (Rittel and Weber 1973), rather than simply being implicated in their cause. There are numerous reasons for this change in perception and various strands to this discourse. For example, it is suggested that through Corporate Social Responsibility (CSR), multinational companies are better contributing to international development goals, while also mitigating for the social and environmental externalities often associated with their activities, particularly in developing world environments (see Hamann et al. 2015). Reflecting these wider trends, increased attention has also been given to the role of entrepreneurship as a catalyst for societal transformation, and a fuel for global sustainable development (Hall et al. 2010; Wiklund et al. 2011).

As part of this broad paradigm shift, the idea of ‘development through enterprise’ has emerged. It is a key component of the ‘base of the pyramid’ (BoP) discourse (Prahalad 2004; Kandachar and Halme 2008; London and Hart 2010; Kolk et al. 2014), and subsistence market place approaches to development (Sridharan and Viswanathan 2008) (see also Bland and Hamann 2015). In their initial incarnations, these approaches often positioned the poor, those living at the base of the economic pyramid on less than $2 a day, as relatively passive would-be consumers of products and services sold by multinationals suggesting “a fortune at the bottom of the pyramid” awaited those companies that could tailor their products or services to tap into this low income segment. Understandably these approaches were

controversial, and drew criticism for their positioning, and what some regarded as exploitation of the poor. They were also attacked for conflating consumption with development, and for transplanting unsustainable Western values and lifestyles to the Global South. However, since their emergence BoP approaches have evolved (Kolk et al. 2014), recognizing the need for the 'co-creation' of value, with the poor not just as consumers but also as producers and entrepreneurs (see also McKague et al. 2015).

Emerging alongside and complimenting BoP and wider development through enterprise approaches, growing attention has been given to the role and potential contribution of social and environmental entrepreneurship to development. This interest is illustrated by the increasing prominence afforded to social and environmental enterprise development in the interventions and strategies of national development agencies. For example in late 2010, the United States Agency for International Development (USAID) launched its Development Innovation Ventures Department, with the aim of finding and supporting "innovative breakthrough solutions to the world's most important development challenges" (USAID 2014). There has been similar engagement by international institutions. For example, in 1998 the World Bank initiated its Development Marketplace Grant Programme which funds innovative early stage development projects, as well as regional level initiatives (see the example provided by Moore 2015). In academia, research examining social and environmental entrepreneurship has grown rapidly, particularly work emanating from the US, UK and mainland Europe (e.g. Bacq and Janssen 2011; Dacin et al. 2011; Mair et al. 2012; Grimes et al. 2013), yet overall it remains very much under-researched, particularly in relation to developing world environments. The research agenda on social and environmental entrepreneurship is still emerging reflected in the lack of consensus around definitions of social and environmental enterprise and entrepreneurship (e.g. Mair and Marti 2006; Bacq and Janssen 2011), while theoretical development and critical discussion within the field have also been limited. There remain numerous unanswered questions in relation to these kinds of enterprises, their activities, and wider social and environmental entrepreneurship processes in developed and developing countries. Research on social and environmental entrepreneurial activity in Africa is especially lacking, and it is this gap that this chapter, and at a wider level this book, aims to begin addressing.

There is no universally recognized definition of a social or environmental enterprise, with ongoing debate considering different definitions highlighting different characteristics (Mair and Marti 2006; Dacin et al. 2011; Santos 2012). There is furthermore little agreement on how far social and environmental enterprises should be considered as distinct entrepreneurial forms or whether an environmental enterprise is in fact a sub-classification of a social enterprise given that addressing environmental concerns is often also a social issue (Pastakia 2002; Bacq and Janssen 2011; Dacin et al. 2011). The centrality of a social or ethical mission is a common thread in many social enterprise definitions (for example see Dees 2003; Defourny and Nyssens 2006; Peattie and Morley 2008; Munoz 2010; Dacin et al. 2011). While the primacy given to social over economic value creation is regarded as a key boundary condition separating social enterprises from traditional businesses, even those

engaging in advanced forms of CSR. Income generation through trading is a second widely recognized characteristic of a social enterprise, and an important way in which they are distinguished from charities or non-trading NGOs (Langdon and Burkett 2004; Smallbone et al. 2001; Social Enterprise London 2014). Other commonly identified characteristics include participatory governance structures where there is active stakeholder involvement (Defourny and Nyssens 2006; Thompson and Doherty 2006); limited profit distribution or profits reinvested for a social purpose (Langdon and Burkett 2004); a non-profit maximizing approach to business (Defourny and Nyssens 2006); and addressing social problems or needs in an innovative way (Dees 2003).

Some of the emerging social enterprise definitions are quantitatively specific, particularly in areas of income through trading, profit distribution and reliance on grants. For example, the UK's Social Enterprise Mark requires a social enterprise to earn at least 50 % of its income from trading, or as a new start pledge to reach this target within 18 months. Other requirements to achieve the Mark include: they must have a social and or environmental purpose; they must have a constitution and governing body; at least 50 % of profits need to be spent on socially beneficial purposes; there must be a lock on assets where if the company ceases trading remaining assets are distributed for social purposes; and they must have annual accounts and governing documents. We question how useful and appropriate rigid definitions like that offered by the Social Enterprise Mark are for understanding African social enterprises at this time. As will be outlined, we feel there are significant differences in the nature of social enterprises in Africa compared to those in a developed country like the UK. However, much of the debate currently occurring around the nature of a social enterprise is happening in the developed world. There is a need to bridge this gap and bring wider, more disparate voices and experiences into debates, from Africa and across the developing world.

In our definition of a social enterprise, we draw upon the wider literatures discussed to identify two key characteristics: (1) the centrality of a social purpose or mission; (2) the requisite that an organization engage in some form of trading activity. Munoz (2010) suggests that in a global environment of austerity and falling aid budgets, with increasing cynicism towards aid in both donor and recipient countries, many NGOs operating in the developing world are starting to trade and undertake income generating activity. Munoz (2010) argues that these organizations could be considered "proto-social enterprises". They may only be trading at a relatively low level, say 10–15 % of income from commercial activity, yet building on Munoz (2010) we believe they are an important part of the social enterprise story in developing nations. It is for this reason that our definition of a social enterprise is not quantitatively specific in the amount of income an organization must earn through trading.

Similar complexity surrounds the definition of an environmental enterprise. The emergence of the environmental agenda in the 1960s after the popularization of *Silent Spring*, led to increased commercial opportunities for entrepreneurs to develop new products and services (see Bennett 1991; Berle 1991; Holt 2011). Transformation also began to occur within traditional businesses, which started to consider how existing business models and modes of operation could be modified to minimize

environmental impacts and utilize resources more effectively. Early definitions of a green or 'ecopreneurial' business typically described a for-profit model, exploiting new niche markets in things like recycling, alternative energy, ecotourism, organic farming, for examples see Holt (2011). However, since the emergence and mainstreaming of sustainable development as a concept following the Rio Earth Summit, a focus on triple bottom line impact has also tended to include social dimensions, such as 'socially committed' (Walley and Taylor 2002), where the social dimension is a secondary impact.

Whether an enterprise can be considered environmental, depends variously on: sector or industrial classification (Hendrickson and Tuttle 1997), the nature of their product or market (Schaltegger 2002; De Bruin and Lewis 2005), the nature of their mission (Schaltegger 2002; Volery 2002), whether born green or transformed (Isaak 2002); and the role of profit (Pastakia 2002). Drawing upon these characteristics we define an environmental enterprise as:

> Enterprises that have a product or service that is based predominantly on managing or using environmental/ natural capital and consider (to varying degrees) the three aspects of the pillars of sustainability, incorporating environmental, social, and economic criteria.

In this chapter we consider the differences between green businesses in Africa and those in developed countries. We discuss this with particular reference to the idea of convergence between social and environmental goals in these kinds of businesses in Africa. For example, in many developed countries household use of solar technology is a lifestyle choice, in many African countries it may be the only way in which remote of-the-grid communities gain access to basic lighting and power. The technology may be the same, but its application, the context in which it is used, and its environmental and social impacts can be very different.

Finally, notions of sustainable entrepreneurship (Dean and Mc Mullen 2007), and sustainability oriented entrepreneurship (Schaltegger and Wagner 2011), may provide useful insights for understanding African social and environmental enterprises, entrepreneurship and innovation. Dean and Mc Mullen (2007) posit sustainable entrepreneurship as a sub classification of entrepreneurship which addresses, amongst other areas, the capturing of opportunities present in environmentally relevant market failures, while also engaging with wider sustainability issues like inequality, poverty, and disease. Dean and Mc Mullen (2007) argue for a distinction between social and sustainable entrepreneurship, with the former as more mission-driven rather than profit-driven endeavours. Schaltegger and Wagner (2011) introduce sustainability oriented entrepreneurship as an umbrella term to describe various kinds of alternative entrepreneurial activity including ecopreneurship, social entrepreneurship, institutional entrepreneurship and sustainable entrepreneurship, which are distinguished on the basis of their motivations, purpose, the role of economic and non-market goals, and organizational development challenges. Schaltegger and Wagner (2011) describe sustainable entrepreneurship as:

> an innovative, market-oriented and personality driven form of creating economic and societal value by means of break-through environmentally or socially beneficial market or institutional innovations. (p. 226)

In this understanding, sustainable entrepreneurship is more business oriented than social entrepreneurship, but engages more readily with non-market goals, particularly in the social and developmental spheres, than ecopreneurship. Later discussions in this chapter will reflect on these understandings of sustainable entrepreneurship, and their application for understanding the landscape of social and environmental enterprises in Africa.

Methodology

This chapter is based on the preliminary findings of a larger research project examining social and environmental enterprises across Eastern and Southern Africa and their role in sustainable development and poverty alleviation.[1] As part of this project a questionnaire survey was sent via email to potential social and environmental enterprises identified through an exhaustive internet search. The survey covered 19 countries, comprising the member states of the Southern African Development Community (SADC) and the East African Community (EAC), namely: Angola, Botswana, Burundi, the Democratic Republic of the Congo, Kenya, Lesotho, Malawi, Madagascar, Mauritius, Mozambique, Namibia, Rwanda, the Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. In total 282 responses were collected. All of these organizations self-designated as either: social enterprises, environmental enterprises, or trading not for profits. They all confirmed that they were working in at least one of the 19 countries.

There was considerable variation in the number of respondents from different countries, for example there were over 75 respondents working in Kenya, compared to less than 5 in Angola. Figure 2.1 provides an overview of the number of respondents from different countries. The lower response rates in some countries can be attributed to factors like low internet connectivity, but also wider limitations in the infiltration and embeddedness of social and environmental entrepreneurship in some counties, particularly post conflict countries like Angola, Burundi and the Democratic Republic of Congo. The largest numbers of respondents were from Kenya and South Africa. In both these countries dedicated social enterprise networks exist, the East African Social Enterprise Network (EASEN) in Kenya and African Social Entrepreneurs Network (ASEN) in South Africa. It was found that these countries were acting as important hubs for social and environmental enterprise activity in the East and Southern Africa regions respectively.

[1] The *Trickle Out Africa Research Project* is funded by the UK's Economic and Social Research Council (ESRC) and examines social and environmental enterprises in Eastern and Southern Africa. It focuses on their role in sustainable development and poverty alleviation, and how the benefits of their activities 'trickle out' into communities, amongst stakeholders and along the value chain. See www.trickleout.net

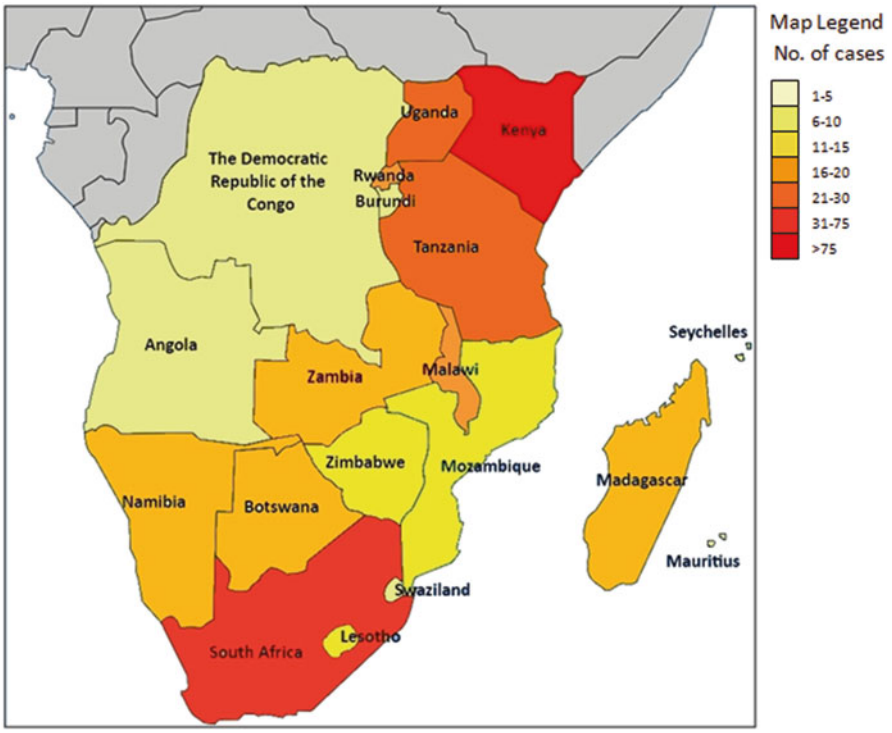

Fig. 2.1 Map of survey respondents

African Social Enterprises

From our dataset, 76 organizations self-designated as social enterprises, with representation in 17 of the 19 countries (Angola and the Seychelles were absent). This dataset provides a starting point for thinking about the nature of African social enterprises, their key characteristics and how they may differ from social enterprises in developed countries. Funding regimes, and the relative importance of revenue from trading activities versus income from grants and donations, are key areas of debate and contestation in relation to social enterprises in both developed and developing world environments. Furthermore, little is known about the significance of different types and sources of donations for such enterprises. In our survey a number of questions addressed these themes.

Organizations were initially asked to describe themselves in terms of the relative importance of trading versus donations/grants as a source of income. Only 16 % of social enterprises stated that they gained all of their income from trading, while 29 % described donations/grants as their most significant income source. The majority, 55 %, identified a mix of donated and trading income. A mixed income regime is characteristic of social enterprises in both developed and developing countries.

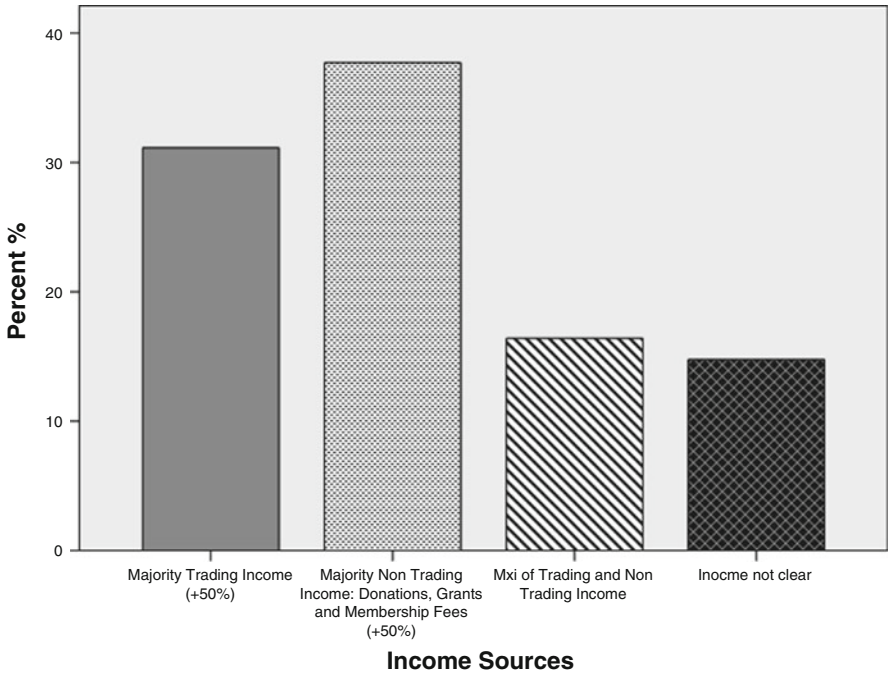

Fig. 2.2 Primary source of income for African Social Enterprises

However emerging more quantitatively specific social enterprise definitions, like the UK's Social Enterprise Mark, are starting to specify levels of percentage income through trading that must be achieved. For the Social Enterprise Mark this level is 50 %, in a recent survey by the UK's Department for Business Innovation and Skills (formerly DTI 2010) it was 25 %. From our sample, the 16 % stating they gain all their income from trading would qualify for these social enterprise definitions, at least in respect of trading income. However, we were interested to find out if many of the remaining 84 % would.

In our survey we questioned the relative importance of different sources of income for our social enterprises (see Fig. 2.2). In around 15 % of cases, responses were ambiguous or incomplete, while trading was suggested to be the primary source of income for social enterprises in only 31 % of cases. In 38 % of cases non trading activity (donations, grants and membership fees) were most significant, and in 16 % of cases there seemed to be a roughly equal balance of income from trading and non-trading activities. These responses suggest that less than half of our African social enterprises would meet the Social Enterprise Mark requirement for 50 % of income generated through trading.

Furthermore, we believe this only tells part of the story, both in terms of our sample and in the wider context of social enterprise in Africa. In our overall dataset of 282 organizations, 70 self-classified as trading not-for-profits. Of these, 31 also

regarded themselves as social enterprises. In our survey multiple self-classifications were possible, reflecting the complex hybrid nature of the organizations under study and their various areas of activity. Of the remaining 39 trading not-for-profits, in 69 % of cases non trading income appears to be their primary source of income, while in only 15 % of cases does it come from trading.[2] We believe that many of these trading not-for-profits can be conceived as a form of proto social enterprises (Munoz 2010). They are trading at low levels but grants, donations and membership fees make up the majority of their income streams.

Our data suggests that African social enterprises rely substantially on non-trading sources of income including grants, donations and membership fees, and that again using the UK's Social Enterprise Mark as a benchmark criterion, are likely to be trading at lower levels than such organizations in developed countries. This difference may be related to various factors. It may first be linked to the central role international aid and donations have historically played in supporting the activities of NGO and wider development actors in these countries (see McKague et al. 2015 for a discussion of the role of various actors). As part of the changing dynamics of international donor funding, and calls for more innovative and entrepreneurial responses to development problems, NGOs and wider development actors may be newly engaging with social enterprise agendas or starting to undertake income generating activities to fill funding gaps. Such organizations are often moving into social enterprise spaces, through a process of internal innovation and organization change, rather than being born in them (see Hamann et al. 2015). These 'hybrid' organizations are also often linked to partners from differing sectors that may access different funding sources (see also Moore 2015 (Chap. 8), Kuenkel and Aitken 2015 (Chap. 10)).

In a broader sense, embeddedness, awareness and understanding of social entrepreneurship, is relatively low across Southern and Eastern Africa, particularly within government. This is illustrated by the dearth of legislative and policy instruments engaging with social entrepreneurship, even in regional hubs like South Africa.[3] In this context there may be relatively few mature social enterprises that have achieved high levels of trading activity. More readily available donor funding in developing versus developed countries may also be a factor in proportionally lower levels of income generation through trading in African social enterprises. Greater availability of donor funding may even disincentivize organizational self-sufficiency.

A further factor may be that many African social enterprises work with particularly marginalized and vulnerable groups, and low income segments living in extreme poverty. Lack of entrepreneurship skills amongst African micro-entrepreneurs and their lack of access to formalized supply chain is a key constraint as discussed by

[2] In 8 % of cases the major income source was unclear, in 3 % there seems to be a roughly equal mix of donations and sales. There were 2 instances where this question was not answered.

[3] A programme has recently been initiated in South Africa to develop a national social business and impact investment framework. This programme is supported by the British High Commission, USAID and involves various local partner organizations including the Impact Trust.

Smith and Seawright (2015). Thus creating a viable, fully self-sustaining business in such settings may not be possible.

Given the differences identified in funding regimes between African and developed country social enterprises, we question the appropriateness for Africa at this time of standards like the UK's Social Enterprise Mark, or definitions of social enterprise based on strict requirements in terms of proportion of trading income.

However, our interest in donations extends beyond their significance as a source of income for African social enterprises, and also beyond monetary donations. Donated time in the form of volunteer labour (either domestic, wider African or international volunteers from outside of Africa) appears to play a significant role in how our enterprises operate. As illustrated in Fig. 2.3, 55 % of organizations utilized volunteer labour.

Relatively little is known about the start-up process for African Social Enterprises. Table 2.1 (n = 96) provides an overview of principal sources of start-up funding for our social enterprise cases. In over 60 % of cases owner/founder savings was a significant source of start-up funding, however money from international donors (32 %), family and friends (22 %), and money from investors (14 %) were also important. Comparing this dataset to the trading not-for-profit dataset a number of differences can be noted. Notably owner/founder savings as a significant source of funding has fallen to 50 % of cases, while money from international donors has risen to 41 %. Money from investors has also fallen to 9 % of cases.

We suggest that our trading not for profit/proto-social enterprises, those more reliant on donations as a source of income, are more likely to have been established

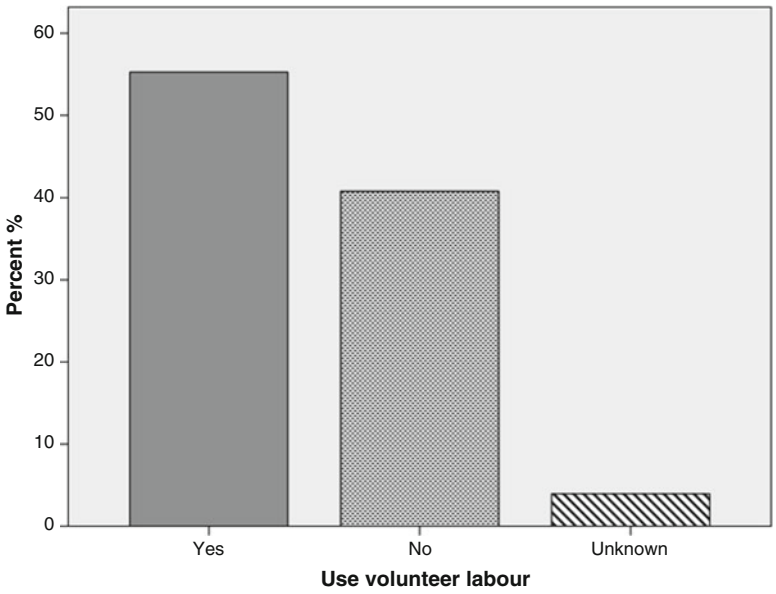

Fig. 2.3 Organization's use of volunteer labour

Table 2.1 Sources of start-up funding for social enterprises

Source of start-up money	N	Number of cases (%)
Owner or founder savings	38	60.3
Family or friends	14	22.2
Microfinance	3	4.8
Bank loan	3	4.8
Investors	9	14.3
Church	1	1.6
Donors small loan	6	9.5
International charity of aid agency	20	31.7
National government	2	3.2
Total	96	152.4

with donor funding compared to the more actively trading social enterprises. This raises the question, are bottom up organic social enterprises more likely to move towards self-sufficiency through trading than those founded through donor support; a proposition that requires further examination with a larger dataset. It may further be questioned, whether there are differences in the achievement of self-sufficiency through trading between organizations born social enterprises versus trading NGOs moving into social enterprise spaces.

Amongst our sample of social enterprises the majority (88 %) are only active in only one country, demonstrating limited evidence of up-scaling. Few are accredited to international standards like Fairtrade, organic, or Green Seal, raising questions around the need for a more appropriate African/developing world oriented social enterprise standard. In relation to customers, 62 % of our sample state that they sell products or services to the poor, with 36 % selling to the very poor. However, often those social enterprises selling products or services to the rich or tourists may be pro-actively employing from poor communities.

Our social enterprises are active in a variety of fields, from a business making footballs inscribed with health and social awareness messages and whose profits are re-invested in sports related health outreach, to an ice cream parlour that employs particularly vulnerable and disadvantaged women and aims to encourage conflict resolution and reconciliation. While recognizing this heterogeneity, it is still possible to identify some key areas, and recurrent issues, that our social enterprises are working to address, these include: (1) providing fair employment opportunities for particularly marginalized groups i.e. craft projects involving widows, orphans or people with disabilities; (2) health outreach, awareness and education; (3) training, support and capacity building for small scale producers in rural areas, this includes helping them establish cooperatives to access international supply chains, or purchasing their products for secondary processing; (4) small business development and support, including market linkage activities; and (5) engaging with green technology and environmental goods and services, for example producing cosmetics from natural products.

Fig. 2.4 Social purpose venturing in Africa

Based upon the above discussions and our wider findings we propose a preliminary continuum of social purpose venturing in Africa (see Fig. 2.4). This continuum focuses in particular on differences in income through trading and profit distribution. Consistent with earlier discussions we identify the potential for organizations to move up and down this continuum. Furthermore reflecting on the diverse landscape of social innovation in Africa we include a variety of entrepreneurial forms in our continuum including fair trade businesses, cooperatives and inclusive business ventures.

Environmental Enterprises in Africa

In our sample of 282 social and environmental businesses 123 self-designated as environmental enterprises, with all 19 countries represented in this sub-dataset. Many environmental enterprise definitions describe a for-profit business model exploiting an environmental niche (Isaak 2002). The environmental entrepreneur or 'ecopreneur' (Pastakia 2002; Schaper 2002; Beveridge and Guy 2005) founding the business, may be driven by environmental values in a similar way to the mission focus of a social entrepreneur (Schaltegger 2002; Beveridge and Guy 2005), conversely they may be similar to a commercial entrepreneur, focused on profit making but targeting a niche eco market (Anderson and Leal 1997). Frequently they are somewhere between these two positions. For the environmental enterprises in our dataset, we do not have information about the relative importance they attach to economic versus environmental value creation. However we do have data about their sources of income and the importance of trading to them.

As illustrated in Fig. 2.5, the majority of our environmental enterprises (n = 123) make all of their income from trading (67.4 % of those that answered), while only 6.7 % gain most of their income from non-trading sources and 25.8 % have mixed

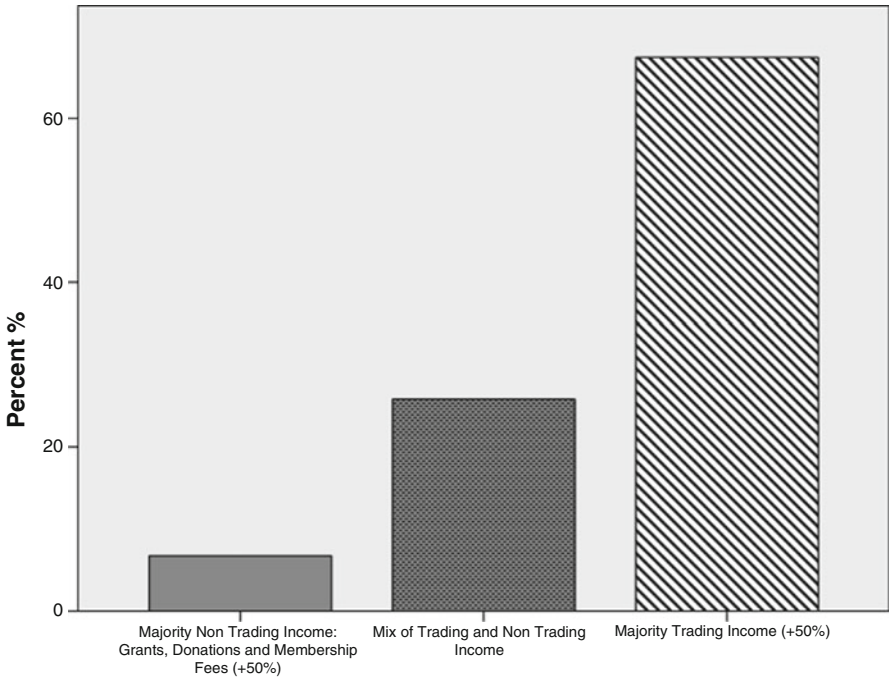

Fig. 2.5 Environmental enterprises – sources of income

income streams. This is significantly different to our social enterprises, particularly when including trading NGOs/proto-social enterprises. In some of the literature it is suggested that environmental entrepreneurs are more business oriented than social entrepreneurs (see Fischetti 1992; Gerlach 2001). Whilst our dataset does not prove this, it does suggest that trading is a much more fundamental part of how environmental enterprises in Africa operate than it is for social enterprises. This difference is further illustrated with reference to another of our survey questions which asked organizations if they receive donations to support their running costs. Of our environmental enterprise respondents, 70.9 % selected 'no they do not receive donations', with 27.9 % answering 'yes' and 1.2 % 'unsure'. This is again significantly different to our social enterprise dataset, where even excluding proto-social enterprises, 63 % answered that they received donations, while only 35.6 % said they did not. Overall our data suggests African social and environmental enterprises have significantly different funding regimes.

If our trading not-for-profit dataset is considered, many of these are organizations with environmental goals and objectives engaging in some form of trading activity. However drawing upon our earlier environmental enterprise definition, this trading activity may not actually involve a product or service that is based predominantly on managing or using environmental/natural capital; for instance an environmental NGO selling t-shirts or stuffed toys to generate income. In Fig. 2.6 we differentiate between

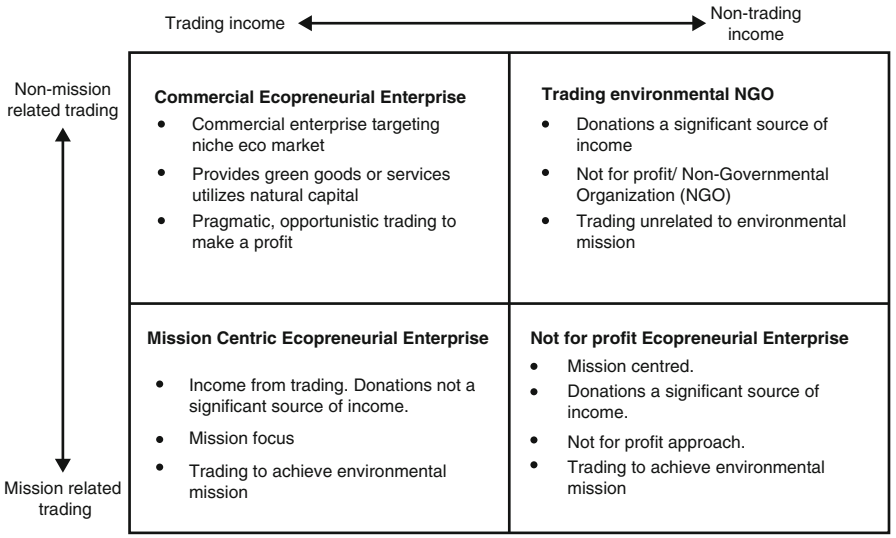

Fig. 2.6 Environmental enterprise classification

four types of organization/businesses operating in the environmental enterprise space. These are: commercial ecopreneurial enterprises, mission centric ecopreneurial enterprises, not for profit ecopreneurial enterprises and trading environmental NGOs. These four classifications are distinguished based on the relative importance of trading income versus income from donations, and the extent to which trading is mission related. We think that in most cases our sample of environmental enterprises can be situated in one of these groupings.

Certification was more common for our environmental enterprises than our social enterprises. This perhaps reflects the greater number of international environmental certifications available in comparison to social performance or social enterprise standards. Differences were also apparent in relation to sources of start-up funding. Owner savings was a significant source of start-up funding in 80.5 % of cases for our environmental enterprises (Table 2.2), exceeding the 60 % figure for social enterprises. Funding from investors was also slightly higher at 16.1 % as opposed to 14 %. Funding from international donors was a less important source of funding, selected in only 11 % of cases compared to 32 % for social enterprises.

We were also interested in profiling the customers of our environmental enterprises. We found that they were slightly less likely than our social enterprises to be selling to the poor and the ultra-poor, perhaps reflecting the more explicit developmental orientation of social enterprises. For both social and environmental enterprises, the targeting of particular customer groups (e.g. women, people living with disabilities, low income segments) was largely contingent on the nature of the enterprise and the product sold. Finally, we found that volunteers labour was less frequent amongst our environmental enterprises than our social enterprises, with only 39.5 % of organizations having volunteer help compared to 55 % amongst social enterprises.

Table 2.2 Environmental enterprise start-up funding

Source of start-up money	N	Percent of cases (%)
Owner or founder savings	95	80.5
Family or friends	32	27.1
Microfinance	2	1.7
Bank loan	13	11
Donors small loan	2	1.7
Investors	19	16.1
Church	1	0.8
International charity of aid agency	13	11
National government	2	1.7
Business they buy products from	1	0.8
Local business	1	0.8
Total	181	153.4

Context and Convergence

Our data suggests a number of areas of significant difference between social and environmental enterprises in Africa. We have identified that at a group level they operate using quite different funding regimes, with trading a much more significant source of income for environmental enterprises than social enterprises. Environmental enterprises are also less likely to receive donations, both monetary and donations of goods and time in the form of volunteer labour. This suggests that in Africa, environmental enterprises operate in a fashion much more akin to traditional businesses than social enterprises do.

We have also found differences in the primary sources of start-up funding between our social and environmental enterprises, with the former more likely to receive assistance from international charities and donors to start, and the latter more often founded from owner savings or investment.

These differences, and our wider preliminary findings, raise numerous questions and areas for further inquiry. For example, it may be questioned how the source of business start-up funding influences social enterprise survival rates and movement towards self-sufficiency. While the process through which NGOs begin to engage with social enterprise agendas, and the drivers behind this interaction, might also be investigated. Further questions include those assessing the overall importance of volunteer labour in social enterprise development and evolution, and those asking whether businesses targeting the very poor, the base of the pyramid, can ever achieve viability.

Although we have highlighted various differences between our social and environmental enterprises, we believe this only tells part of the story. In developed economies social and environmental enterprises are relatively discreet, in part perhaps related to their legal tax status. The emergence of sustainable development as a concept has led to increased recognition of the social dimension to

environmental problems, and the environmental aspect of many social challenges, nevertheless environmental enterprises in developed countries rarely consider issues like poverty alleviation, inequality and disease. Similarly, social enterprise engagements with the environment often focus on environmental management and minimizing their negative impacts in a similar way to traditional businesses (Hall et al. 2010). We suggest that it is different in Africa. For many of our respondents a convergence was identified between social and environmental goals and objectives. In many examples innovative, appropriate green technologies were being used in poverty alleviation interventions. For example, in one case a social enterprise is mentoring solar entrepreneurs from off-the-grid communities, supplying them with products and helping them to establish micro businesses selling or renting solar technology products. In another, people from low income communities are being taught how to craft high quality products made from indigenous hardwoods, while the social enterprise mentoring this process is engaging in large scale tree planting and training in sustainable forest management. In a further similar example a company producing and selling energy saving stoves and ovens also sells, and in some instances gives away, small packets of indigenous tree seeds to low income communities and households.

It has been suggested that in global 'sustainable business' policy discourses that 'development' has often been marginalized (Barkemeyer et al. 2014). In the kinds of hybrid sustainability oriented enterprises emerging from the grassroots and from development initiatives in Africa this is not the case. In agreement with Creech and Paas (2008) we regard these 'green social enterprises' as critical for sustainable development on the continent. Earlier in this chapter we discussed the notion of sustainable entrepreneurship. In a similar vein, Gerlach (2001: 3) introduces sustainable entrepreneurs as those who "identify market opportunities for innovations concerning sustainability, successfully implement these innovations and create new products or services." We think that many of the enterprises in our dataset and the entrepreneurs founding them can be most accurately understood in these terms, and suggest sustainable entrepreneurship as a useful lens for considering the landscape of social and environmental innovation and enterprise in Africa.

We do not regard the terms social enterprise or environmental enterprise as redundant in relation to Africa, far from it, as illustrated by our previous discussions on their divergent characteristics. Rather we imagine a social and environmental enterprise spectrum, with a burgeoning group of mission centric sustainable enterprises clustering around a midpoint combining social and environmental imperatives (Fig. 2.7). Diverging slightly from understandings of sustainable entrepreneurship and enterprise outlined by authors like Dean and Mc Mullen (2007), we do not regard these sustainable enterprises as necessarily more profit driven than the 'mission-driven' social enterprise. We suggest that they rather have an extended conception of their mission, encompassing and recognizing the interconnection between social and environmental value creation, particularly in an African context.

Fig. 2.7 Social and environmental enterprise spectrum

We think that collectively, African social and environmental enterprises are different to such organizations in developed countries. African environmental enterprises are often more explicitly engaging with social concerns particularly relating to development and poverty alleviation, whilst African social enterprises are frequently addressing these issues using green products or services, or utilizing natural capital in a sustainable way.

Much of this difference is linked to context. For example, it is futile talking to low income communities about issues like wildlife conservation or sustainable use of natural resources without also giving attention to the developmental challenges they face and understanding how these problems influence their environmental behaviours and use of natural resources. Low income communities are much less likely to engage with environmental issues whilst they are struggling to put food on the table, particularly where destructive environmental behaviours may have a short term positive effect on household income. It can furthermore be argued that development concerns are an inherent part of the operating environment and doing business in Africa, and that all businesses on the Continent including for-profit commercial ecopreneurial enterprises must more readily engage with these issues than their counterparts in developed countries. That social enterprises in Africa are more likely to embrace environmental concerns and agendas can again be linked to contextual factors like the predominantly agrarian nature of many African economies, and the fact that rural areas in Africa are particularly impoverished and may be completely disconnected from things like access to electricity, necessitating the application of innovative green technology solutions like solar lights. In these kinds of rural settings the innovative and sustainable use of natural resources, or the development of enterprises utilizing them, may be some of the few viable opportunities for development available. We suggest that, although African social and environmental enterprises are often quite divergent in their business and financial models, organizational structures and areas of activity, innovation and entrepreneurial practice within these organizations often emerges which recognizes both social and environmental imperatives. We think that this contradiction, and the interplay of social and environmental dimensions in alternative entrepreneurial processes in Africa, warrants further examination.

Conclusions and Implications for Practice

This chapter presents an overview discussion of African social and environmental enterprises using quantitative survey data. We have highlighted some key characteristics of these types of businesses, and discussed ways in which they differ particularly in relation to income generation, receipt of donations, use of volunteer labour, and start-up. In relation to environmental enterprises we have also outlined a segmentation based on characteristics of trading income and the extent to which trading is mission related. In the social entrepreneurship space we have presented a continuum for understanding social purpose venturing on the Continent. While we have highlighted differences between social and environmental enterprises in Africa, we have also commented on the convergence of social and environmental imperatives in sustainability oriented enterprises, and suggested a higher prevalence of these kinds of businesses in Africa compared to in developed countries. We have related this convergence to context, and also discussed the frequent engagement with social issues by African environmental business, and the addressing of environmental concerns by African social enterprises. Discussions in this chapter aim to provide a starting point in understanding the dynamic landscape of social and environmental enterprise and entrepreneurship that is emerging in Eastern and Southern Africa.

The chapter offers a number of insights that have implications for practice. Whilst we show there is a vibrant landscape of social and environmental enterprises emerging in sub-Saharan Africa, our findings illustrate that these enterprises may potentially be very different from those emerging in developed countries. In particular we demonstrate how the use of quantitatively specific and rigid boundary conditions to 'define' a social enterprise in the format suggested by labels such as the 'Social Enterprise Mark' may be inappropriate in nations where social and economic institutions are weak and the informal economy dominates. Such rigidity may more readily allow a rapid decision or 'tick-box' descriptive approach to supplier selection or targeting of donor support, but it is very likely to exclude organizations that provide significant environmental and social benefits working within the poorest communities in Africa. We also identify both differences and convergence between social and environmental enterprises. This convergence (in combined social and environment benefits) and divergence (in funding regimes and role of trading activity), has implications for the targeting of donor funding, training initiatives and impact measurement. A pattern of significant hybridity related to the confluence of multiple actors in the delivery of enterprise-led development initiatives is also emerging in an African context. Again this has implications for how development agencies, governments and multinational engage with this vibrant landscape of sustainable hybrid organizations.

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Chapter 3
Social Innovation Through Development Franchising: Compensating for a Lack of Entrepreneurial Expertise and Connecting to Formal Supply Chains

Isaac H. Smith and Kristie W. Seawright

Abstract Promoting entrepreneurship through microenterprise has become a popular strategy for poverty alleviation and economic development. However, not all would-be entrepreneurs have the necessary skills and expertise to succeed in new venture creation. Furthermore, microenterprises often function within the confines of the informal economy, with limited access to formal supply chains. As one potential solution for overcoming these two major challenges, we propose that *development franchising* – franchising that begins at a micro scale in developing economies – can be employed as a social innovation. Regarding entrepreneurial expertise, recent research has shown that franchisees in the United States more closely resemble non-entrepreneurs than entrepreneurial experts, implying that the franchise business model may compensate for a franchisee's lack of entrepreneurial expertise. In a development context, franchising can also serve as an effective means of helping subsistence entrepreneurs access formal supply chains – increasing opportunities for scaling, growth, and further job creation. Two case examples illustrate the potential of development franchising in overcoming some of the major challenges faced by traditional microenterprise strategies.

Introduction

Promoting entrepreneurship in 'developing' nations has become a popular strategy for alleviating poverty and stimulating economic development (Khandker 2005). The worldwide proliferation of microfinance institutions, for example, is based on

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the assumption that providing individuals with better access to financial capital will fuel entrepreneurship and microenterprise, providing opportunities for people to *work* their way out of poverty. However, the results of such efforts have been mixed (Snow and Buss 2001) – partly because not all microfinance borrowers have the entrepreneurial skills sufficient to make a microenterprise succeed (Karnani 2007a). As Littlewood and Holt discovered in the previous chapter (2015), relatively few social enterprises achieved high levels of income-generating trading activity. Furthermore, even when microenterprises do find initial success, they often function exclusively within the confines of the informal economy, with limited access to formal markets and supply chains. These two challenges – (1) lack of entrepreneurial skills, and (2) lack of access to formal markets and supply chains – greatly hinder the potential of microenterprises to create sustainable jobs, alleviate poverty, and spur economic growth. We propose that *development franchising* – franchising that begins at a micro scale, primarily in developing economies – provides opportunities to overcome these challenges.

Drawing on *Expert Information Processing Theory* (EIPT), entrepreneurship researchers have found that successful entrepreneurs differ from non-entrepreneurs (e.g., traditional managers) along several dimensions of *expert scripts* (i.e., action-based knowledge structures; see Mitchell et al. 2000). These differences even hold across cultures (Mitchell et al. 2002). Evidence suggests that individuals develop expert scripts through in-depth experience in a particular domain (Lord and Maher 1990; Walsh 1995), which presents a hurdle for poverty-stricken entrepreneurs in developing economies that may not have the luxury of trial-and-error practice in terms of new venture creation. Rather, many of these subsistence entrepreneurs engage in entrepreneurship with a focus on survival, not opportunity pursuit. Development entrepreneurship, therefore, is not always accompanied by the expertise typically characteristic of opportunity-seeking entrepreneurs in formal economies. The self-employed poor generally lack specialized skills (Banerjee and Duflo 2007), and microfinance borrowers who attempt to create microenterprises are not the visionary, entrepreneurial experts heralded in the western world as champions of job creation (Karnani 2007b). Indeed, Karnani (2007a) asserts that "the vast majority of microcredit clients are caught in subsistence activities with no prospect of competitive advantage" (p. 104).

We argue that the lack of entrepreneurial expertise among many – if not most – subsistence entrepreneurs (e.g., microfinance borrowers) is a key factor leading to the ineffectiveness of many initiatives that promote entrepreneurship as a source of poverty alleviation. Although microenterprise financed through microcredit, at times, has been shown to positively impact income, production, employment, and general poverty reduction (Khandker 2005; Khandker et al. 1998), when new ventures fail, borrowers can actually be worse off for having taken a loan (Copestake et al. 2001) – becoming overburdened with debt-liability (Rahman 1999). Promoting entrepreneurship for individuals without sufficient expertise, therefore, might simply be setting them up for failure.

To help address the lack of expertise among impoverished entrepreneurs, we propose that development franchising might serve as an innovative solution. In a recent study, franchisees in the formal U.S. economy were shown to have cognitive mental schemas more similar to non-entrepreneurial managers (novices) than

successful entrepreneurs (experts) (Seawright et al. 2013). The fact that many franchisees succeed in an entrepreneurial environment suggests that the franchise business model may compensate for the entrepreneurial expert scripts that franchisees lack. We suggest, therefore, that development franchising can be employed as a social innovation – compensating for some of the shortcomings of traditional microfinance and microenterprise strategies that often incorrectly assume a certain level of entrepreneurial ability in their borrowers.

Additionally, development franchising can serve as an effective means of helping subsistence entrepreneurs access formal markets and supply chains – increasing the chances of success and further job creation. For example, many subsistence entrepreneurs operate exclusively in the informal economy (London 2008; Becker 2004), selling home-grown or hand-made products from their homes, on the sides of roads, or at village markets. While receiving a microloan can help them access capital, acquire raw materials, or increase inventory, such entrepreneurs often struggle with sustainability, scalability, and growth, because they generally lack access to formal markets and supply chains in terms of either production or distribution. With development franchising, franchisors can help their franchisees regarding both.

A recent examination of dozens of franchises that operate in a development context has revealed two primary models of development franchising operations: a production model and a distribution model. From a production perspective, many micro-entrepreneurs who produce goods are unable to find a market for their products beyond those with whom they have face-to-face interaction. Alternatively, franchisees in a production-model franchise, in addition to receiving support related to the production of goods, gain downstream access to customers as they act as suppliers to their franchisor – which increases opportunities for scalability. From a distribution perspective, franchisees in a distribution-model franchise gain access to upstream suppliers of goods and services (via their franchisor) that have technology- and production-related capacities that greatly surpass their own. In both development franchise models, the franchisee is better able to connect to the formal economy than if pursuing a venture independently.

The purpose of this chapter is to offer a theoretical explanation of *why*, and case examples of *how*, development franchising has the potential to become an important business solution that contributes to poverty alleviation and economic development. In what follows, we discuss the meaning of development franchising and describe how it can (1) help compensate for would-be entrepreneurs' lack of entrepreneurial skills, in general, and (2) help subsistence entrepreneurs connect to formal markets and supply chains, specifically. We also provide two case examples that demonstrate the role of development franchising in promoting economic development.

Development Franchising

Earlier work extends the topic of microfinance to include franchising as a development tool (Kistruck et al. 2011). This interest in *microfranchising* as a market-based poverty intervention (Fairbourne et al. 2007) usually emphasizes social benefits

over the accumulation of wealth (Christensen et al. 2010). However, market success is still essential to sustainability, and business models that can address the tension between income generation and social value creation are thus more likely to survive (see Balkema and Romijn 2015). In this chapter, we choose to adopt the term *development franchising* to avoid the size perception that accompanies the term "micro." While the emphasis on combined social benefit and market success is included in this term, the vision for potential growth of operations and business ventures extends beyond the small, initial size of most microfranchises. Thus, the application of franchising to poverty alleviation efforts usually begins with micro-franchise operations, but the term development franchising includes the hope that some of these operations will grow beyond original expectations, leading to broader economic development. Specifically, we contend that two of the major contributions of development franchising are that the franchise model can help compensate for a subsistence entrepreneur's lack of entrepreneurial skills, as well as help them connect to formal markets and supply chains.

Compensating for a Lack of Expertise

According to EIPT, individuals utilize previously developed knowledge structures, or expert scripts, to simplify information processing. These knowledge structures, however, are domain-specific (Lord and Maher 1990), and they are often used sequentially (Leddo and Abelson 1986) – i.e., "for *entry* into the action sequence within a domain, and…for the *doing* of the task required within this domain" (Seawright et al. 2013). In the domain of entrepreneurship, researchers have defined entrepreneurial expert scripts as "action-based knowledge structures" (Mitchell et al. 2000: 975), some of which are related to entry into entrepreneurial ventures, and others related to the actual doing of entrepreneurial tasks.

Specifically, three types of entrepreneurial expert scripts have been identified in the literature: Arrangements, Willingness, and Opportunity-Ability (Mitchell et al. 2000). Arrangement scripts include knowledge structures related to entry, as in accessing necessary resources (e.g. financing), protecting ideas, and building networks (Rumelt 1987; Vesper 1996). Willingness scripts refer to knowledge structures related to doing, such as one's openness to engage in new ventures, explore new opportunities, and assume levels of risk in pursuing new economic relationships (Ghemawat 1991; Krueger and Dickson 1993; Krueger and Brazeal 1994). Opportunity-Ability scripts are knowledge structures also related to doing, associated with new venture scenarios and patterns; the appropriate application of norms, competencies, and abilities required for new venture success; and opportunity-recognition skills (Boyd and Vozikis 1994; Glade 1967; Stuart and Abetti 1990; Vesper 1996). Cross-cultural entrepreneurship studies have found that successful entrepreneurs (i.e., experts) and non-entrepreneurs (i.e., novices) differ along these three dimensions of cognitive processing (Mitchell et al. 2000, 2002).

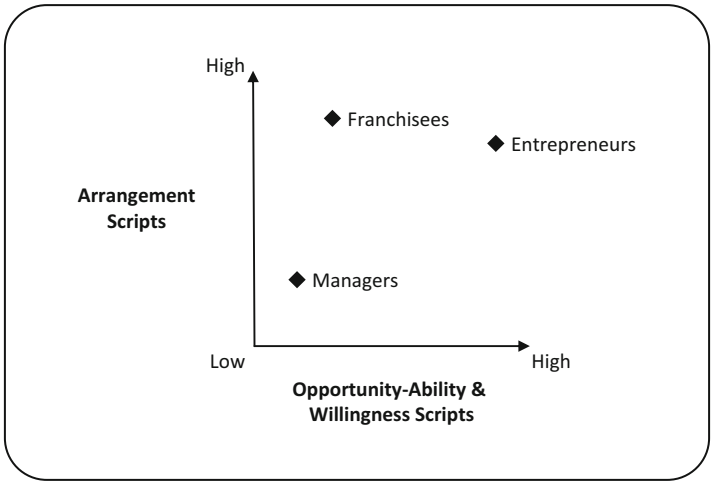

Fig. 3.1 Differences in entrepreneurial expert scripts among entrepreneurs, managers, and franchisees

Interestingly, franchisees – often considered to be entrepreneurs (e.g., Baucus et al. 1996; Grunhagen and Mettelstaedt 2005) – have been found to have entrepreneurship-related knowledge structures more closely resembling non-entrepreneurs than entrepreneurs. That is, franchisees seem to lack many of the entrepreneurial expert scripts typically demonstrated by successful entrepreneurs. Franchisees in the formal economy in the U.S. (see Fig. 3.1) were found to have Arrangement scripts similar to entrepreneurial experts, but they resembled entrepreneurial novices in their mean levels of Willingness and Opportunity-Ability scripts (Seawright et al. 2013). Instead of supporting the characterization of franchisees as entrepreneurs, these results paint a picture of franchisees as non-entrepreneurial managers who happen to have access to capital and a supportive network. The fact that many franchisees succeed in the entrepreneurial environment of small business ownership implies that the franchise business model may in many ways compensate for a franchisees' lack of entrepreneurial skills. Applied to a development context, we therefore posit that development franchising implemented at a micro-business level can similarly compensate for the lack of skills, knowledge, and entrepreneurial expertise necessary for venture success.

As mentioned above, the self-employed poor often lack the specialized skills and entrepreneurial expertise necessary to succeed (Banerjee and Duflo 2007; Karnani 2007b). Many subsistence entrepreneurs pursue entrepreneurial opportunities for mere survival, not because they have the requisite ability. Thus, for entrepreneurship to be a successful poverty-alleviation strategy, an effort must be made to either support expertise development in subsistence entrepreneurs or compensate for their lack of expertise. A first and obvious step is training. Indeed, business and entrepreneurship training can positively impact microfinance borrowers (Copestake et al. 2001),

leading to increased profits (McKernan 2002) and greater asset creation (Swain and Varghese 2009). However, appropriate training can be expensive, or even inaccessible. As an alternative – or perhaps additional – approach, development franchising can help compensate for an individual's lack of entrepreneurial expertise. By providing development franchisees with identified opportunities, proven business models, established networks, and ready-made products or services, franchisors can increase the likelihood that low-income, low-skilled entrepreneurs can succeed in new business ventures. In addition to compensating for a franchisee's lack of entrepreneurial expertise, however, a franchisor can also connect a franchisee to formal markets and supply chains – increasing the likelihood that the development franchise will grow, expand, and create jobs.

Connecting to Formal Supply Chains

Many subsistence entrepreneurs operate within the framework of the *informal* economy (London 2008; Becker 2004) and face obstacles in connecting with the *formal* economy (Daglish 2007; FIELD's Work 2011). Frequently, they are unable to formally register their businesses because they lack the financial resources, do not have the necessary knowledge and skills, or are unaware of the proper procedures and processes. Moreover, transportation constraints can limit the geographic reach necessary for business expansion, and micro-entrepreneurs often lack a vision of scale and scope due to their disconnect with the formal economy. Development franchising offers an innovative organizational process and form that provides a potential solution to many of these challenges.

Development franchisees generally operate in conjunction with formal-economy franchisors – a supply-chain relationship that can provide franchisees with a link to the formal economy that was previously missing. These franchise supply-chain relationships introduce product, process, and marketing knowledge from the formal economy into informal-economy enterprises, providing new ideas for those with limited awareness and experience and increasing the likelihood of creating social and financial value.

In a recent, comprehensive study, researchers mapped the supply chains of 73 development franchises in early-stage, underdeveloped markets. These markets were found in the least developed areas of the world such as Sub-Saharan Africa, South East Asia, and some of Central America. All of these markets fit into the lowest quartile of reported GDP Per Capita (GDPPC) in the world.

This research identified two distinct models of development franchising operations and supply chains (Seawright et al. 2012): (1) a distribution model, and (2) a production model. All 73 franchises fell into one of these two groups that primarily differ based on the side of the supply chain on which the franchisee operates – either in upstream production activities (19 % of development franchises) or downstream distribution activities (81 % of development franchises). Both of these franchise models fill supply-chain roles that are unique to the informal-economy environment.

Information, marketing plans, training, products, and problem solutions from the formal economy become available to inexperienced, informal-economy franchisees – combining, to compensate for the lack of knowledge and expertise that many development franchisees face.

Distribution Model of Development Franchising

In distribution models of development franchising, the franchisor can provide franchisees – and ultimately consumers – with access to goods from the formal economy that are produced with processes that often require technologies or economies of scale that cannot be justified in small or 'base of the pyramid' (BoP) markets (Anderson and Markides 2007). These franchisors, often not-for-profit organizations, compensate for development franchisees' lack of entrepreneurial skills in all aspects of the marketing mix – i.e., product, promotion, price, and place – by connecting them with formal-economy supply chains.

First, development franchisees benefit from the introduction to *products* that were previously unavailable within their economies. Excellent franchisors adapt products to the local environment for improved usage. Second, franchisors augment the franchisee's ability to *promote* the product. Franchisors prepare plans and materials that assist franchisees in their efforts to explain the need fulfilment and value proposition of new products. Third, related to *price*, franchisors combine their knowledge of product/service pricing in the formal economy with an understanding of local financial realities and are able to help franchisees establish reasonable pricing that can increase opportunities for profitable operations, while taking advantage of economies of scale.

Finally, a major contribution of franchisors who introduce products into development markets is the creation of distribution systems that help provide end users with the value of *place*. The primary distribution mechanism for consumer goods in developed economies, especially in highly populated areas, is through retail channels. However, consumers in rural villages often lack transportation to retail establishments that can be prohibitively far away. Thus, development franchisees can create value for customers by transporting goods – such as health-protecting products (i.e. life-saving medications and treated mosquito-blocking bed nets), efficiency improving tools (i.e. eyeglasses and water pumps), and desired consumer items (i.e. lotions and solar lighting or cooking equipment) – directly to the homes of customers. In doing so, they create value for their franchisor by advertising and delivering goods to remote locations, providing access to new markets. Franchisees, organized and aided by a franchisor, become the effective and efficient distributors that allow for product availability and delivery to customers, facilitating the distribution of otherwise unavailable goods and services, along with information, directly to the homes of end users (Fig. 3.2).

In short, franchisors employing a distribution model of development franchising provide franchisees with information and training, aggregation of products from

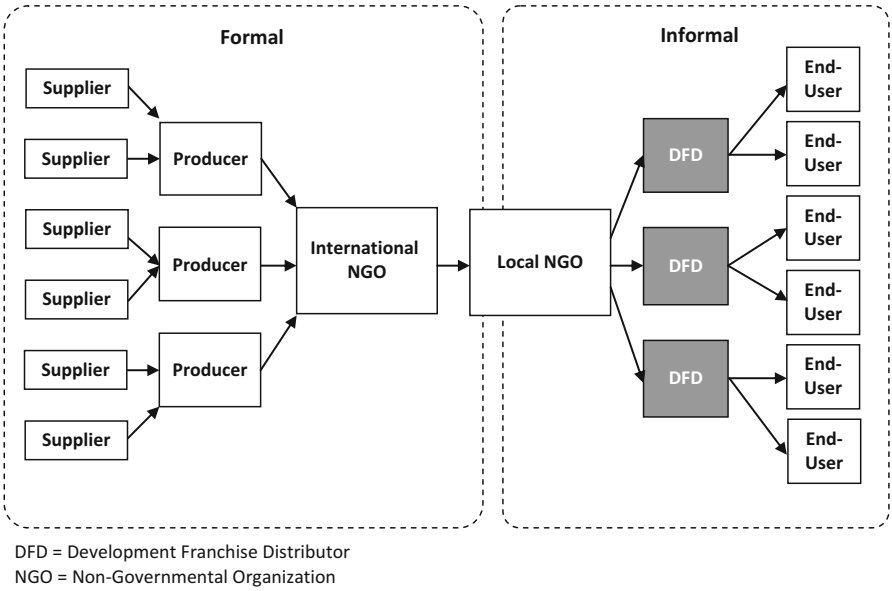

Fig. 3.2 Distribution model

multiple producers, and marketing plans that can be replicated for implementation by multiple franchisees. An excellent example of a distribution development franchise is the case of Vision Spring.

Distribution Model Example: Vision Spring

As a social enterprise, Vision Spring (2011) was established to provide economic opportunity to franchisees in the developing world via the sale of eyeglasses. Vision Spring, the franchisor, performs portions of all four elements of the marketing mix to compensate for the lack of expertise of their franchisees in South Africa, India, El Salvador, and Bangladesh. The final leg of the downstream value adding activities – direct marketing and delivery to end users – is accomplished by development franchisees. This franchisor-franchisee relationship provides needed income for the franchisee while making vision correction products affordably available to thousands of people who were previously unable to obtain needed eyeglasses.

By taking advantage of formal sector technologies and economies of scale, Vision Spring has been able to work with *product* designers and manufacturers to efficiently produce eyeglasses that serve targeted BoP populations. A portfolio of products ranging from reading glasses to UV-ray, eye-protection merchandise helps franchisees meet the needs of their customers.

Vision Spring also provides *promotional* materials tailored to the requirements of their franchisees. New franchisees purchase a reasonably-priced "business in a bag"

collection of product and promotional items that allow them to commence operations. These items, standardized within markets, allow franchisees to start businesses that are beyond their level of entrepreneurial expertise.

Prices for Vision Spring products are appropriately set for the developing environments in which the products are sold. Pricing models require expertise to understand customer needs, fixed and variable costs, and profitability scenarios. As the franchisor, Vision Spring helps establish market appropriate prices that can lead to franchisee profitability.

In return, Vision Spring franchisees provide final sale and distribution services. Product distribution to reach each end user's *place* requires personal attention since each customer requires evaluation of needs and instructions regarding available products and product usage. The franchisor efficiently distributes products to a location accessible to the franchisee; then the franchisee uses their franchisor-provided training to recommend the correct vision products to individual customers.

This development franchise opportunity provides income for over 2,000 franchisees who would otherwise be less able to provide for their families' needs. Over 600,000 pairs of eyeglasses have been made available to individuals that previously lacked access to vision products. The eyeglass technologies and economies of production scale achieved in the formal sector have thus been introduced into the informal economy in four countries via the distribution model of development franchising.

Production Model of Development Franchising

Alternatively, some franchisors utilize franchisees as producers, helping them compensate for missing skills related to production activities and offering connections to downstream supply chain activities in the formal economy. They do this by instituting standardized methods for successful production and sourcing while concurrently providing access to markets external to the franchisee's previously available domain.

The production development franchise model, illustrated in Fig. 3.3, is a scalable supply chain configuration in which franchisees cooperate with a franchisor in the process of procuring inputs, producing goods, and aggregating products produced in very small lots. The production franchise model is a slight departure from the typical franchise structure in that the franchisor becomes an aggregator for the goods and services of the franchisees. Both parties establish relationships for their mutual economic, social, and sometimes even cultural benefit. Franchisees will typically gain increased access to previously unreachable markets, as well as training to improve the quality of goods produced. The franchisor/aggregator will often use production franchising as a means to procure materials and/or finished goods while utilizing already established human capital.

In the production model of development franchising, to date, franchisors have typically been non-governmental organizations or government entities – but they can

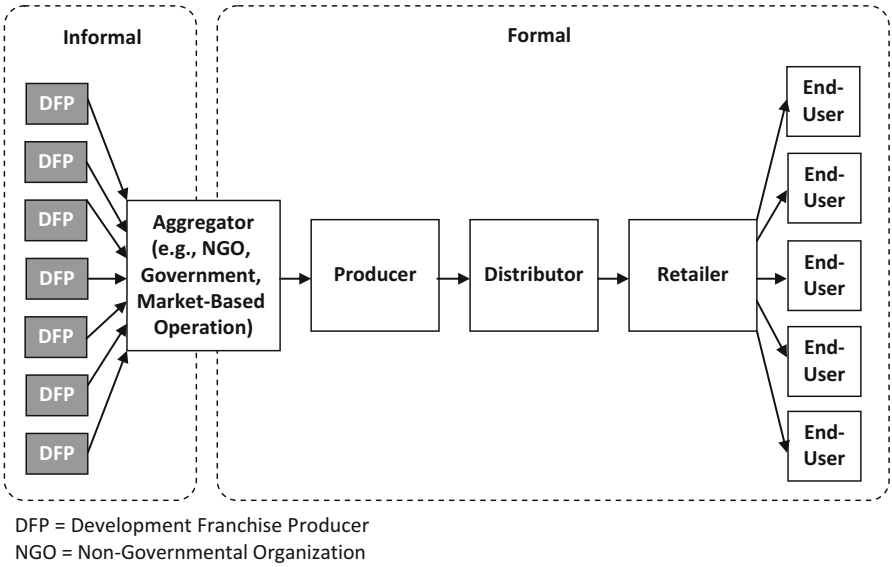

Fig. 3.3 Production model

certainly (if not ideally) be for-profit enterprises as well. The franchisor performs the role of aggregator, carrying out many critical functions that create supply chain connections. First, the aggregator provides training and, sometimes, quality standards to the producing franchisee, thereby supplying franchisees with otherwise unobtainable information from intermediary- or end-users. Second, extremely small production lots are collected into batches large enough to be marketed more efficiently. And, finally, the aggregation function connects the producers that operate in the informal economy with formal-economy supply chains and markets for distribution of their goods and services.

From the marketing-mix perspective, again, all elements are strengthened by the franchisor's formal-economy supply-chain experience. Development franchisees who lack expertise in opportunity identification and product or service production can benefit from the franchisor's experience in these areas. Franchisors who recognize *product* market needs and inefficiencies that can be met by development franchisees provide key information on market demand; this demand is often in the formal economy. Some franchisors provide franchisees with appropriate but inexpensive production equipment that can increase productivity and improve product quality. They can also provide training related to equipment use and the sourcing of raw materials, as well as assist in the design of products and packaging materials to best meet the needs of target markets that are unfamiliar to franchisees.

In the production model, after aggregating small batches of goods produced by franchisees, the franchisor then engages in the *promotion* of franchisee-produced goods to customers in formal economy markets. Furthermore, *pricing* information

from the formal economy flows to the franchisee via the franchisor, allowing appropriate market-value data to inform pricing and production decisions. Franchisors can thus compensate for a franchisee's lack of managerial accounting skills, helping them accommodate both fixed and variable costs within the framework of fair prices that support profitability for all supply-chain players – including the franchisee.

Finally, the franchisors' transportation capacity is a key element in connecting production development franchisees to customers in the formal economy. The assistance rendered in product aggregation creates the opportunity for franchisees to reach the appropriate *place* of downstream supply chain functions. When franchisors create an aggregation location that is accessible to franchisees, informal-economy producers gain access to the formal economy. Sometimes, franchisors even provide transportation to the batching collection site by picking-up product at the location where each franchisee produces their goods. In this manner, the franchisor/aggregator grants access to a distribution system that delivers products to distant customers. These services help offset the franchisees' inability to identify and actually move goods to appropriate markets. Honey Care Africa is an excellent example of an operating development franchise employing the production model.

Production Model Example: Honey Care Africa

Honey Care Africa (2005), a company started in Kenya, produces and markets high-quality honey that competes on the world market. Production of the honey is accomplished by partnering with development franchisee beekeepers throughout Kenya – and now other countries in East Africa. As the franchisor, Honey Care Africa provides numerous services in the up and downstream of the supply chain.

First, Honey Care Africa helps compensate for its franchisees' lack of expertise in beekeeping and in the honey production industry. Honey Care Africa has conducted research on the design of beehives, and other beekeeping equipment, to adapt to local needs. They provide their franchisees with the necessary equipment, as well as required training in beekeeping, basic management skills, record-keeping, and farm economics. Field representatives are also available to assist beekeeping franchisees as they learn effective and efficient beekeeping techniques that support beekeepers in their efforts to produce according to company-regulated quality levels.

Second, and perhaps most valuable, the franchisor contributes to their franchisees' success by providing a connection to formal markets through the performance of numerous downstream supply chain functions. Honey Care Africa field representatives collect the produced honey from each of the franchisee producers every other week. Franchisees are paid a previously agreed upon price at the time of honey collection. Company personnel (i.e., the franchisor) aggregate the collected honey, prepare and bottle it, distribute the product, and market and sell it. The standardization

and performance of these downstream functions allow development franchisees to participate in markets that were previously unavailable to them.

Support from the franchisor – Honey Care Africa – thus allows beekeeper franchisees to participate in value-adding activities that exceed their personal expertise and preparation. These rural beekeepers, many of whom live on less than $1 per day, are able to increase their annual incomes by $200 to $250 (Honey Care Africa 2005) with less than 1 h per week of labor; this amount supplements their earnings from farming and other activities to the point of moving many families above the poverty level.

Conclusions and Implications for Practice

As the examples of Vision Spring and Honey Care Africa demonstrate, development franchising can be utilized as an income-generating strategy for both franchisors and franchisees. The franchise business model – with its accompanying franchisor support – can help compensate for the lack of entrepreneurial skills characteristic of many of the world's working poor. Vision Spring, for example, provides franchisees with products, promotional materials, and pricing strategies that allow them to provide a valuable product and service to their customers. Honey Care Africa, on the other hand, provides franchisees with training, production equipment, and access to downstream customers in the formal economy. Through these two models (i.e., distribution and production), development franchising can be used to help subsistence entrepreneurs generate additional income as they strive to work their way out of poverty. As franchisors increasingly look to BoP markets as an additional place for the distribution and production of products, they not only have an opportunity to increase their own profits, but they have a chance to contribute to the economic development of local communities as well.

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Chapter 4
Innovations in Social Entrepreneurship for Sustainable Biofuel Production: The Case of Tanzanian Outgrowers Cultivating Jatropha for the Global Biofuel Chain

Annelies Balkema and Henny Romijn

Abstract This chapter focuses on the smallholder outgrower model for Jatropha biofuel cultivation in Tanzania. This model is based on seed production by small farmers who sell to a processing company that presses the bio-oil from the seeds locally, either for the local market or for export. This model has been implemented by a foreign investor in Tanzania; the social business model aims at combining profit making with social and environmental objectives. This chapter describes the trends and developments of this innovative business model in a global cultivation, production and usage chain, exploring the trade-offs between the people, planet, profit objectives (triple P) and how the business model adapts to survive through the different stages of the innovation process. The three stages in the innovation process, also described in learning theories are: (1) learning to be effective, (2) learning to be efficient and (3) learning to expand (up-scaling and diffusion). The observed trend is that in the different stages different roles are played by the company as it aims at shifting from subsidy funds to profit making. In the process of becoming efficient and starting to upscale, it seems harder to ensure the implementation of the social and environmental objectives. Therefore, public actors will have to play a more active role in capacity building and market regulation, and additional funding has to be made available for ensuring the social and environmental benefits. New innovations in governance and new ways of linking actors may be part of the solution.

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Introduction

The ambitions for biofuels are high, both with respect to large scale use for climate change mitigation, and also for bringing about social-economic development. The target is to replace more than 20 % of the European petrol and diesel consumption with biofuels in 2020 (Directive 2003/30/EC and Directive 2009/28/EC in 2003, Biofuel Action Plan 2005, Strategy for Biofuels 2006). In addition, social goals have been defined, for instance, through the Roundtable for Sustainable Biofuels (RSB), an international initiative that sets RSB Sustainability Standards for biofuels including criteria on GHG balance, food security, biodiversity, welfare, wellbeing, and environmental impacts.[1] These targets and criteria pose a huge challenge for decision makers to ensure that promising innovative biofuel crops and processes are up-scaled in short time spans without compromising on poverty reduction and valuable ecosystems.

The question whether biofuels can fulfil the high expectations is certainly legitimate and we have to make sure that strategic decision making takes to heart interests of different stakeholders and carefully addresses trade-offs between social, economic, and environmental impacts throughout the whole global production and usage chain in order to prevent export of problems to different actor groups, different regions, different dimensions of sustainability, and future generations.

In this chapter we look at the case of a foreign investor who started a company in Tanzania in 2005, with a social business model to supply Jatropha biofuel. Instead of using plantations, the company chose for a smallholder outgrower scheme, in which independent farmers cultivate small amounts of Jatropha seeds from plants grown as hedges around their food crops on their own land, for additional income generation. The implementation of the business model and the trends and developments over the years are described in this chapter. Special attention is given to the tension between income generation and social and environmental purpose, and to efforts to address this tension through continuous learning in interaction with other parties; as introduced earlier by Bitzer and Hamann (2015). This chapter therefore focuses on trade-offs between the three dimensions of sustainability – people, planet and profit – and the roles that the company and other actors in the global biofuel chain can play to assure that the social objective of poverty reduction is not lost in the efforts to combat climate change and pursue profit making.

The theoretical framework used in the research is a combination of learning and innovation theories (Korten 1980; Douthwaite et al. 2001; Geels 2002; Grin et al. 2010), and social entrepreneurship theories (Amit and Zott 2012; Douglas 2010; Brozek 2009; Heierli 2008; Heierli and Polak 2000; Mair and Schoen 2007; Seelos and Mair 2009; Wheeler et al. 2005). The case study information is derived from work by staff and students of the School of Innovation Sciences of Eindhoven University of Technology, who have been researching Jatropha biofuels in Tanzania since 2005 (see: van Eijck and Romijn 2008; van Eijck et al. 2010; Caniëls and Romijn 2008a, b; Balkema et al. 2010; Heijnen 2010; Hellings 2011; Romijn and Caniëls 2011; Romijn and Gevaert 2013).

[1] http://rsb.epfl.ch/page-67254.html

Innovation in Organizational Models: Social Entrepreneurship

It has been noted that innovative business model structures involving combinations of social and for-profit elements have been increasing in recent times (Boons and Lüdeke-Freund 2013; Brozek 2009). These are often denoted as social entrepreneurship ventures. Seelos and Mair (2009) describe social entrepreneurs as playing a crucial role in devising innovative organizational models linking non-profit and profit based organizations for poverty reduction and sustainable development. This same phenomenon is also described in Heierli's market approach to development, in which the effectiveness of development projects is guaranteed by governmental initiatives and funding while efficiency is increased by the inclusion of private companies (Heierli 2008; Heierli and Polak 2000). A key argument found in Heierli's work is to make use of market pull forces to make poverty reduction more effective. In the case of Jatropha cultivation there is a market pull for biofuels to combat climate change; if this dynamic is tightly linked to poverty reduction this could result in an efficient and effective poverty reduction strategy.

In combining social and business objectives, social entrepreneurs can position their business models somewhere in the middle ground of a continuum ranging from completely altruistic voluntary organizations to non-profit social organizations, entrepreneurial social ventures, socially responsible enterprises, philanthropic firms up to fully commercial businesses (Douglas 2010; and see Fig. 4.1). At the same time, Brozek (2009) observes that the decision on how to position an organization is a dynamic process. Therefore, one should be aware that the formal status of a stakeholder like a "social entrepreneur" may not adequately reflect the actual role

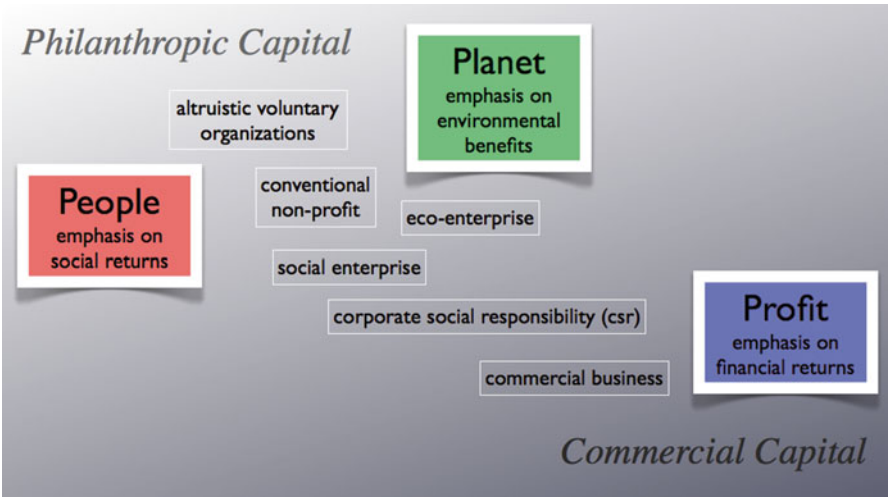

Fig. 4.1 Business models, objectives and sources of financing (Source: Based on the continuum of social entrepreneurship orientation in Douglas (2010) and the spectrum of financial returns by Brozek (2009: 8))

played at any stage of the innovation process. In particular, there may be a shift in returns over time, which starts with an emphasis on social returns but moving in due course towards an emphasis on financial returns (Brozek 2009: 8). Brozek conceptualizes this dynamic positioning process with respect to the following four aspects (2009: 9): (a) the level of integration of the social mission in the revenue model, (b) the scalability, (c) the sources of funding, and (d) the sustainability of funding and whether this detracts from the social mission over time. We will illustrate this phenomenon of shifting in the course of the innovation trajectory with findings from our Tanzanian case.

The entity of our case, the foreign investor in Tanzania, is formally not a non-profit organization, although there are social and environmental objectives. The environmental objectives may be included in the revenue model through carbon credits and/or a higher-than-market sales prices paid for sustainability-certified oil in future. The scalability is thought to be crucial for profit making especially since Jatropha seeds are a low-value bulk product, and hence there is a need to capture economies of scale. At the same time, opportunities for upscaling will depend on funding sources on the longer term. The key question for the Jatropha outgrower model in Tanzania is whether the social objectives remain leading, or whether perhaps the environmental objectives will take precedence, or that even those will have to be put on the backburner to assure profit making when subsidies will be no longer available.

For social entrepreneurs to fulfil both social and environmental objectives in a competitive market, appropriate innovative financing through for instance subsidies for social benefits and green funding is crucial. Austin et al. (2006) claim that social entrepreneurs have less access to commercial capital markets than conventional commercial entrepreneurs, and therefore rely more on the three F's (friend, family and fools) for funding. Bornstein and Davis (2010) claim that an organization with a strong social objective or non-profit orientation is likely to be financed through foundations, philanthropic entities, or governmental subsidies. According to these authors, a main reason for many promising organizations to remain undercapitalized and undermanaged is their limited access to capital. Although one might expect that the growing demand for funds by ventures with societal objectives could help address this bottleneck over time by inducing the supply to grow in response, it seems that a substantial unfulfiled demand will exist for the time being. Many of the financial issues discussed here are in evidence in our Tanzanian case, as will be discussed below (see also Romijn and Gevaert 2013).

Another defining characteristic of social entrepreneurs is that during the innovation trajectory they may act as a force for "institutional entrepreneurship", serving as catalysts for system change by taking the lead and giving direction for structural change in society (Batillana et al. 2009). Institutional entrepreneurs must both break the existing rules, practices and institutional logics and make efforts to institutionalize the alternative rules, practices and logics they are championing (Garud and Karnøe 2001). This is also the case for the stakeholders in the Tanzanian Jatropha biofuel sector, being a driving force behind new market regulation, for instance by looking into possibilities of certifying smallholder Jatropha farmers for CO_2 credits

(Hellings 2011), or by pushing the national standards organization into defining national technical standards for the Jatropha oil, so that it can be officially recognized as a tradable commodity and export permits can be obtained (Romijn HA, 2008, personal communication with general manager).

To achieve systemic change, entrepreneurs often 'run in packs' as their collective action is needed to create conditions that transform institutions to enhance market development, for instance through standardization (Hargrave and Van de Ven 2006; Aldrich and Ruef 2006). In Tanzania, collective action was not prominent among budding biofuel entrepreneurs, most likely because of the incipient stage of their activities and fears of innovation copying. However a 'vertical' network was beginning to form between 'our' social venture and actors within other segments of the supply chain. It was clearly easier for the firm to find like-minded or strongly complementary entities that were not directly competing with it, along the lines of the observation by Mair and Schoen (2007: 66), that successful social entrepreneurs create proactive value networks with parties that share their social vision, ensure their resource strategy as integral part of their business model, and transfer value to their target groups. The chapters in part IV in this volume equally underscore the pivotal importance of such collaborations, partnerships and alliances for social innovation and entrepreneurship (see Kuenkel and Aitken 2015; McLachlan et al. 2015; Moore 2015).

The trends and phenomena noted above, based on literature about social entrepreneurship, are also described in literature about learning in development projects and in innovation theory. The importance of different phases in innovation projects, and how organizations have to adapt in the course of shifting from one to the next, has been widely noted. Douthwaite et al. (2001) defined different phases in the innovation process: development, start-up, adaptation, and expansion and disappearance.[2] Similarly, Korten (1980: 499–500) distinguishes three stages: (1) *learning to be effective*: focusing on knowledge and capacity building which requires freedom for experimenting since error rates may be high in this stage; (2) *learning to be efficient*: concerned with reducing input requirements per unit of output, forming routines and dealing with organizational constraints; and (3) *learning to expand*: expansion of operational capacity through continuous refinements to respond to the demand for larger scales of production.

The main conclusion by Douthwaite et al. (2001) is that, with the increase in complexity of the technology and surrounding system, there is also a need for increased interaction between the originating R&D team and key stakeholders, especially prospective users. This means that for innovations to become successful, a cooperative partnership of designers and those who will directly gain and lose from the innovation, is required. In the case of the global Jatropha biofuel chain this constitutes a real challenge, because especially the system complexity is high and there are a large number of diverse key stakeholders. Looking at the two main business models for Jatropha cultivation in Tanzania that developed in

[2] Disappearance in the sense that the technology becomes mainstream and is no longer seen as innovation.

the past few years – the decentralized outgrower model and large centralized plantations – one may argue that in the plantation model the number of stakeholders is fewer than in the outgrower model, and central coordination of cultivation stage and transport to processors reduces complexity. However, interaction between multifarious stakeholders who contribute different insights, opinions, pieces of knowledge and perspectives is catalysed by the decentralized outgrower model. In our case description we will go into some of those interactions and the value they bring to the firm, but will also point up some problems that are thrown up by this modality of operation. A discussion about who is and who should be included in the group of 'key' stakeholders, and how to deal with direct and indirect 'stakes' is pertinent in cases like this.

Looking at the phases defined by Korten (1980), we see that Jatropha cultivation in Tanzania has more or less passed through the phase of learning how to be effective, as various experiments with different business models and end-uses have been implemented by now (Romijn and Caniëls 2011; Romijn and Gevaert 2013). Unfortunately, we also observed a high rate of failure which has characterized this first innovation phase. As the high risks and high failure likelihood were not acknowledged in advance, there were hardly any mechanisms in place to minimize the impact of failure, especially the impact on smallholder farmers resulting from sudden collapse of their seed sales channel, as well as permanent loss of land access for those who transferred the rights over their ancestral plots to plantation investors against a nominal fee, in the expectation of getting a better life through secure wage employment. Presently, Jatropha cultivation in Tanzania seems to be entering the phase of learning to become efficient. There is a push for companies to streamline their operations and to shift from subsidies to profit. However, is this realistically feasible? There is still a need for learning processes to go on, and the costs that these entail are seldom made explicit in project proposals; however these processes are highly time consuming. Innovation theory teaches us that the experimental stage of a new sector, in which separate experiments gradually begin to be linked and form a coherent learning network that will form the basis for the take-off of a new industry, takes about 20–30 years (Geels 2002). Complete innovation trajectories, starting from the first individual experiment to a fully developed mainstream innovation system encompassing new technologies, changed user preferences and behaviour, transformed institutions, rules, routines, and more, take normally even more time, making transitions long-term processes that take up to 50 years (Grin et al. 2010).

Jatropha Cultivation in Tanzania

Tanzania has ideal geographic and climatic conditions for growing a wide range of biofuel crops. Furthermore, from a purely technical standpoint, Tanzania appears to have sufficient resources to produce biofuels both for its own consumption and for export, without compromising on current food production (Hultman et al. 2012: 5, Table 1). However, so far none of the Jatropha processing

companies in Tanzania, neither in the smallholder outgrower segment nor in the plantation segment, have been making profit. Most activities are still heavily dependent on subsidies and many initiatives have already failed outright.[3] This is of course not uncommon for an innovation trajectory in its early stage, where niche protection is required to allow for learning, network building, and market creation. However, it signals that Jatropha cultivation and processing still need to become more efficient in order to become a mature biofuel niche that can be viably expanded through upscaling and diffusion.

As already indicated briefly, two main models for Jatropha cultivation have been identified in Tanzania, namely contract farming according to the outgrower model where small scale farmers cultivate Jatropha on their own land besides their food crops and sell the fruits to companies that produce biofuels; and the plantation model, in which large scale plantations for Jatropha biofuel production are set up mostly by foreign investors aiming at export. A third model, popular with several NGOs, was introduced in the form of community-focused projects, in which Jatropha is cultivated for local use – for instance by means of boundary hedges around a village – for rural electrification (Sulle and Nelson 2009). In Tanzania this model is being practised in combination with so called 'multi-functional platforms' that provide energy services to farmers in addition to pressing Jatropha and generating electricity, for instance in the form of grain milling. Over time, some investors also developed combinations of the above models. A hybrid form consisting of a nuclear plantation estate combined with independent outgrowers was implemented in one or two cases. Block farming is another alternative that has been talked about but never implemented to date. In this model, groups of farmers allocate individual plots adjacent to one another to form block plantations, thus benefiting from scale economies while maintaining ownership over their land (Mlingwa 2009).

It should be noted that the potential and actual performance on important sustainability indicators can vary greatly not only between business models, but also between companies operating the same business model. Much depends on details such as (nature of) contracts and policies on land rights and land use, for example. For instance, in India, Jatropha plantations have been promoted through three different models: (a) leasing out government lands to private companies, (b) distribution of waste lands to rural poor, (c) cultivation of Jatropha on private lands (Ariza-Montobbio et al. 2010: 881). This means that the plantation model can either be a public private partnership, a public policy instrument for poverty alleviation, or a private investment which can be used for land grabbing in cases where Jatropha is used as a pretext for developing more lucrative investments at a later stage. Similarly, contract farming can be a way to establish a stable and sustainable relationship between farmer and producer of biodiesel from which all parties benefit, but it can also lead to dependency or even marginalization of the weakest actors. Even the term 'inclusive business models', which is meant to refer to the inclusion of small

[3] In particular, all large plantations have closed down, except one which is under a new management that has suspended its Jatropha operations for an unknown period of time (Njau and Ndakidemi 2013).

scale farmers and producers, does not make it explicit whether, or how, the stakes of these actors are secured. One has to probe these issues in detail to discover how things operate in practice, and who governs what. Often, the outcomes are quite different from the expectations expressed in business plans.

The next section of this chapter describes a relatively promising case – from the point of view of 'triple-P' aspirations and performance. Our Jatropha outgrower model revolves around small scale farmers who cultivate Jatropha in hedges around their food crops for extra income generation. This 'inclusive business model' is favoured in several publications as it is seen as more reliable to protect farmers' production assets and has more potential to give farmers a voice in deciding how to share the rewards and risks of biofuel production (Brittaine and Lutaladio 2010: 98, Figure 11; Broadhurst 2011: 13; Vermeulen et al. 2009). Furthermore it has been widely claimed to have potential to create sufficient economic development to lift farmers out of absolute poverty. Through diversification of crops on existing arable land, environmental impacts like initial carbon debt, loss of soil fertility and biodiversity, are also lower than in the plantation model (van Eijck et al. 2010). However, there are lingering doubts about viability of current yields in relation to costs involved in harvesting and logistics. As such, more research has been recommended, which also looks into alternative biofuels with higher oil yields (FAO BEFS 2010, p. 7, 131; Hultman et al. 2012: 11, 14; Portale 2012: 38) as well as potential of improved, more reliable and higher-yielding, more pest-resistant Jatropha varieties which are currently being developed in countries like India.

Case Study: The Outgrower Hedge Model for Jatropha Cultivation

The outgrower model that is the focus of our case study is based on approximately 50,000 independent small farmers (in 2012) located in different regions of the country, spanning an area of around 400 km^2. They predominantly grow the Jatropha bushes around their small plots (often less than 1 ha in size) for crop protection and against soil erosion, and around their homesteads for privacy and to contain farmyard animals. Interested farmers receive a contract for a longer period, for instance 10 years, which specifies that all their Jatropha seeds can be sold against a guaranteed minimum price to a company that presses the seeds to obtain the bio-oil. This company was founded by a Dutch investor. Its 'triple P' objectives are expressed in its stated aims to increase employment and income generation and contribute to reduction of global warming, through a for-profit business model.

Working with dispersed smallholder farmers poses its own particular challenges. The great majority of smallholders are very poor. Their formal education is generally limited to a few years primary school at the most, and they lack access to quality farm inputs and relevant information to improve their land productivity. Poor and declining land productivity due to structural nutrient mining is a major problem in

many areas of the country, as it is in vast areas of Sub Saharan Africa as a whole (see e.g. Gruhn et al. 2000; Swilling and Annecke 2012, Ch 6; Drechsel et al. 2001). Increasing pressure on land features prominently among the causes for this situation. In the past, traditional slash and burn agricultural practices were sustainable, because the cultivated land could return to long fallow after having been worked for 2–3 years, recuperating for two decades or more and recovering its prior fertility levels. These slash and burn cycles are increasingly shortening, and many former slash and burn areas have come under permanent cultivation. Farmers also expand food production into less fertile lands that were previously perceived to be less fit for cultivation. Increasing land pressure is caused by population expansion as well as commercial exploitation of prime land by large investors for purposes such as large-scale cash crop cultivation and tourism, and earmarking of land as public reserves. Many smallholder farmers do not keep sufficient animals to generate enough manure, and they also cannot afford expensive mineral fertilizers to maintain fertility of intensively farmed plots. Many also lack knowledge about benefits of mulching of harvest residues and cuttings and of intercropping with, e.g., N-fixing leguminous crops or Potash-accumulating crops that can contribute to maintaining soil fertility. Phosphorous shortages are also a limiting factor on crop production in many areas.

In practice, therefore, the bulk of the company's social responsibility activities are directed at these independent farmers. This means knowledge sharing to improve agricultural practices, not only for their Jatropha crop but also for the food plot. One aspect that is always emphasized is that although the cultivation of Jatropha may be a welcome source of income, farmers should prioritize food production, so Jatropha should only be grown as hedges or – perhaps, at the most – in an intercropping arrangement with food crops. In the initial years after the company's establishment, hundreds of independent farmers were visited regularly by company's field officers and agricultural extension workers from the Ministry of Agriculture, who were paid by the company and received motor bikes on top of their government salary to carry out this extension work. Lack of government finances for effective agricultural extension among Tanzania's large numbers of dispersed smallholder farmers is a big problem in the country, which can be addressed to some extent through such public-private cost sharing. However, there is a possible dilemma: In this particular case this arrangement seems to work reasonably well in the interest of all concerned, because the company insists on a socially responsible approach. However, some divergence between the promotion of private-company interests and public societal interests could occur, for example due to sheer lack of knowledge on the part of the company about what the farmers' alternatives for Jatropha hedges are, and what benefits they may be giving up by shifting to Jatropha. There may be other useful hedgeplant species that they could utilize, for instance as animal fodder, sources of nutritious litter for the food plot, firewood, or natural medicine, which would inevitably get de-emphasized in trainings aimed at explaining the benefits of Jatropha as a hedge crop and how to cultivate it in the best way. In 2011, during the preparations for official sustainability certification of export of the Jatropha oil to the EU, we noted that company staff

lack awareness of alternative hedge crops and their uses in different areas (source: H.A. Romijn and S. Heijnen, personal observations).

The farmers receive advice on Jatropha cultivation. In the first years of the company's operation farmers also received the first seeds for free to start their Jatropha business. The knowledge about cultivation is transferred both individually and in collective training meetings. Since the company also wants to contribute in other areas, awareness training about AIDS is also given to staff and farmers.

Another emerging dilemma is that this extension work is very expensive because of high transport costs and its high labour intensive character. The first repeat visits paid to farmers in 2011 for the purpose of their registration in a farmer data base for the export certification made it very clear that one initial training visit had not been enough. The company has to keep coming back, mainly because the farmers need to be assured that the company is a serious long-term investor. Many biofuel investors in Tanzania have proven to be 'fly-by-night' operations and farmers are keenly aware of this. Therefore, their trust in the company can only be built over a period of time, and when it is backed by personal nurturing of the relations.[4]

The company's 'planet'-dimension concerns its aim to contribute to combating global warming. Its Jatropha vegetable oil is a biofuel that can reduce CO_2 emissions by between 40 and 90 % – the concrete outcome depending on factors such as prior land use, the efficiency of seed collection and processing, the type and location of end use, and the manner of utilization of the by-products.[5] The use of by-products such as the residual seedcake in particular raises a lot of controversial issues. First, there is a major trade-off between meeting greenhouse gas (GHG) emission reduction objectives on the one hand, and contributing to long-term local food production capacity on the other. This has to do with the odd fact that the company's current practice of utilizing the seedcake for energy purposes – through briquettes and pellets as replacements for wood and charcoal – yields a much higher GHG reduction outcome in the EU's officially approved GHG calculation methodologies than its truly sustainable alternative use as a nutrient-rich organic fertilizer for the farmers. This odd result occurs because these calculation methodologies neglect long term problems of nutrient mining as a result of harvesting biofuels, without taking care of nutrient replenishment. Ideally, they should take this into account by requiring firms that do not return the seedcake to the soil to estimate a counterfactual equivalent minimum amount of mineral fertilizer and associated transport that would be needed in order to achieve a neutral nutrient balance. Given the high GHG emissions associated with mineral fertilizers, this would yield a much truer picture of the real costs of not using the seedcake for soil maintenance. But instead, only the text of various biofuel norms requires firms to contribute to the prevention of soil quality deterioration (see, e.g. the RSB and the Dutch NTA8080 norm). In such texts, as always, there is some leeway for different interpretations – a company could claim

[4] Information from Mr Meshack and Mr Shedrack, Diligent officers who are compiling the farmer data base for the company's NTA8080 sustainability certification, September 2011.

[5] Estimates derived from: de Visser et al. (2011). This report used the EU Biograce GHG calculation methodology.

responsible practices by pointing towards efforts to ensure that farmers practice timely weeding, pruning, mulching and intercropping instead. However, it is unclear whether these practices by themselves would be sufficient to ensure maintenance of soil fertility. There is, then, an implicit disincentive arising from leading international biofuel governance systems against the good practice emphasized by leading Jatropha experts, that returning the nutrient-rich Jatropha cake (or a suitable substitute) to the soil is indeed necessary for long-run soil fertility maintenance (Achten et al. 2008; Jongschaap et al. 2007).

For the company, however, the issues with the use of the seedcake go even beyond this. Aside from detracting from its official GHG reduction impact, adopting the practice of returning the seedcake to the farmers would also entail a logistical and financial nightmare, not least because the firm cannot easily and cheaply rent haulage capacity in trucks going upcountry (since they are then fully loaded with various goods to be distributed there). Moreover, by failing to utilize the seedcake for direct energy purposes, the firm would lose out on valuable earnings. The press cake can be readily used as briquettes in industrial boilers, or, when mixed with rice husk, as pellets in cook stoves. It is quite unlikely that farmers would be willing or even able to pay an equivalent amount to receive back the seedcake as a fertilizer. Thus, there is also a trade-off between contributing to long term local food security and the company's need to sustain its operations by making a profit.

There is yet a third type of trade-off associated with the seedcake, which revolves around food security versus ecology. Press cake is a competitive and effective substitute for increasingly scarce wood that is widely harvested illegally, and for increasingly expensive charcoal that is produced widely from illegally harvested wood. There is already a ready market for these Jatropha energy products in the urban areas. By harnessing the seedcake for energy, Jatropha thus helps to mitigate forest degradation.

Moving to the company's profit imperative, it is not hard to see that the choice of end use of the oil also involves thorny issues, especially revolving around the question to what extent a substantially expanded company – the aim is to have more than 100,000 outgrowers – can continue to maintain a balanced people-planet-profit focus in the future. It is quite clear that from a GHG reduction perspective, but also from the point of view of local economic development, local use of the straight vegetable oil would be preferable by far. The oil can be used in pure form in stationary engines such as in Tanzania's ubiquitous diesel generators that provide electricity during frequent blackouts, or it can be blended with fossil diesel up to 50–50 % in transport vehicles. This use profile would yield an almost 90 % GHG emission reduction compared to fossil diesel, and it would also help to alleviate – albeit in a modest way – Tanzania's extreme oil import dependence. For the immediate future, the company expects that it can directly sell its bio-oil relatively easily to large-volume diesel consumers (such as safari companies wishing to develop a greener image) on local markets. However, the strategy of the government of Tanzania concerning the future local use of biofuels for transport remains uncertain; there are no signs that blending at the pump will be officially allowed within the coming years.

This puts a cap on local market expansion and even endangers the company's survival as a profit making entity. The company is still not yet profitable 7 years after its start up, and after having received several substantial subsidies. Initial co-ownership shares with another foreign company in the same region but in another economic sector were replaced in 2009 by a 40 % share by a foundation associated with a big Dutch lottery that supports social causes. Due to continued financial deficits, the foundation later assumed full control over operations, with the explicit requirement that within the next 1 year the company should demonstrate its capability to reach breakeven. For this, the company would have to double the throughput of seeds in 1 year. The foundation principally aims to provide temporary bridging support for what it sees as the company's final steps towards commercial viability.

Even some years before the takeover, it had become evident that the company had to develop long-term supply agreements with a number of reputable and reliable clients, mainly in the overseas aviation sector where there is significant interest in utilizing Jatropha as a raw material of bio-kerosene, due to the scarcity of suitable aviation biofuels. The aviation industry has come under increasing pressure to reduce GHG emissions. Although airplanes have already become much more fuel efficient in the last decades, further significant reductions cannot be achieved through technical measures alone. Replacement of fossil fuel with biofuel is therefore seen as the only possible route to achieve significant further reductions in the future – provided that these biofuels have been produced in a responsible way, with a significantly positive overall greenhouse gas balance.

In view of this situation, the company has formulated ambitious plans for up-scaling export to the EU. It estimated that it would reach out to over 50,000 farmers by 2012, up from 5,000 contracted farmers (collectively owning approximately 3,500 ha of Jatropha hedges) in 2010. The company is invited to supply Jatropha oil as feedstock for bio-kerosene production to fuel airplanes. Airplane passengers are expected to pay extra for their tickets to finance the bio-kerosene for 'green flying'. A key reason for this interest is the fact that the company aims for socially and environmentally sustainable production, reducing global greenhouse gas emissions, generating additional income for rural households in impoverished areas, and contributing to environmental protection of degraded lands, at least through erosion prevention and deforestation mitigation, if not through maintenance of soil fertility on food crop land.

To enable long term export transactions, however, the company will need to demonstrate this sustainability through independent verification and certification. The Dutch NTA 8080 certification scheme, which had just become operational in 2012, was chosen for obtaining compliance with EU biofuel import regulations. This scheme has, however, not yet been fully elaborated for smallholder/outgrower models of biofuel production. In order to make this applicable, several questions remain to be addressed, such as: what level of organization is required to enable certification at a group level; what kind of data is really necessary for certification and how feasible and costly is it to obtain these data; what monitoring structures will need to be put in place? In particular, further research and testing is to be done to establish the least-cost method for data collection and monitoring at the level of

individual smallholder farmers, to find out whether the costs for this data collection and monitoring are indeed outweighed by better market prospects from the bio-oil products. Compared to plantation biofuel concepts, smallholder schemes for biofuel production are more complex and costly to certify, because of the higher costs of data collection and monitoring.

There are also open questions about whether this is an affordable business model, revolving around trust building through personal contacts with farmers. Already a few years ago, the company began to find that the high costs involved in the labour-intensive farmer recruitment and extension work were becoming a major bottleneck on the road towards profitability. A solution is being sought in a partnership with foreign sponsored local NGOs that aim to organize farmers into groups, give training, and establish linkages with market parties to help enhance their income generation opportunities. These NGOs and the company have entered into a 50–50 cost sharing agreement. By the company's manager's admission, the arrangement is highly productive because the organizations share the same aims; hence it has become a major force behind the company's ongoing expansion drive, while also contributing to substantial cost savings. However, many unsolved issues still remain, especially the problem of soil degradation, which could yet become an issue in the NTA8080 certification.

The outlook for the future remains crucially dependent on the success of the firm to attract new finance. We observed that up to now, the company had been financed mainly through subsidies from governmental agencies from its home country, not through non-profit foundations or charitable organizations, and also not through commercial channels. Strenuous efforts to obtain financing from social entities were made in recent months, but these all failed because such organizations are generally not allowed to lend to companies that are formally registered as 'for profit' ventures. Their official statutes do not have special provisions that could allow their fund managers to make exceptions to be able to support new-style innovative lending to hybrid organizations like the social entrepreneurial entity in Tanzania. Financing from fully commercial sources has been an open option in principle, but this proved quite unattractive for the firm's owners and management. Over the years, several commercial investors showed interest, but it was obvious that their social and environmental motives were weak or even completely absent. It is telling that not a single commercial financing arrangement had been concluded by the firm at the time of writing, more than 7 years after its start. This is illustrative of the gap between value creation and value capture that tends to exist in social businesses, as flagged by Bitzer and Hamann (2015). The company creates social value for poor smallholder farmers, who report that the proceeds from their seed sales are sufficient to pay the school fees of a child, or meet the costs of essential food expenditures in lean months between harvest seasons (Romijn and Gevaert 2013), but the firm cannot satisfy the financial return-on-investment expectations of commercial investors, at least not in the near future.

These experiences illustrate the key observation made in our discussion about financing bottlenecks for social entrepreneurship that social entrepreneurial ventures can easily fall between the two well-established stools of hard core commercial

financing on the one hand, and purely non-profit lending and grant making on the other. In between these two, there lies an 'institutional void' (Bitzer and Hamann 2015). For the time being, the search for a more secure and appropriate financial basis that will allow the firm to upscale to a size that is realistically necessary for turning a profit is still ongoing as we write.

Criticizing Biofuel Production: Pro-poor? Environmentally Sustainable?

As described for the Tanzanian case, the extra income that can be generated by the farmers and the extension work would not have been realized without the investment made by the private company. However, Ariza-Montobbio et al. (2010) claim, based on fieldwork among contract farmers in India, that cultivation of Jatropha is generating upward redistribution rather than being pro-poor – the big farmers being the only ones who benefit from it, if at all (Ariza-Montobbio et al. 2010: 876). According to the authors, the pro-poor Jatropha cultivation discourse is articulated through three main arguments; (1) short maturation period, (2) low-input crop, and (3) the association with small-scale decentralized energy production. However maturation periods are 3–5 years, low input returns low yields, and decentralized energy production is often not realized as pressing and filtering is best done in a centralized manner in a place where there is access to power, skills and other infrastructure, and where economies of scale can be obtained. The effect of this is that valuable by-products, such as for instance the press-cake, are transported to private companies or urban users of cook stoves, instead of being returned to poor farmers (Ariza-Montobbio et al. 2010: 882). This is equally true for our Tanzanian case, where the company has aimed at producing for export and by-products such as seedcake are transported away from the smallholders, adding to the problems of long-term degradation of soil fertility and – hence – structural poverty among smallholders in rural Tanzania.

Still, in the Tanzanian case, diversity of crops is promoted and extension work aims at improving food crop yields along with Jatropha seed yields. This fits in with approaches to encourage diversified livelihood strategies that help households cope with climate fluctuations and shifts in semi-arid tropical environments (Ariza-Montobbio et al. 2010: 84). The main social drawback of the Jatropha cultivation as described in the case is that the additional income generated by farmers is low; it will cover the school fees for a child but not much more.

De la Torre Ugarte and Hellwinckel (2010: 365) argue that biofuels can only become a sustainable replacement for fossil fuels if agriculture as a whole can be made sustainable by addressing the environmental and socio-economic impacts in the near future. Presently agriculture is industrial (extractive) rather than regenerative, aiming at short term profits for the most powerful actors, instead of ensuring food security, regenerating soil fertility, conserving water, and building stable communities

(Swilling and Annecke 2012). Within the next 50–100 years agricultural practices must transform to (1) stop soil erosion and regenerate soil fertility, (2) reverse the energy ratio and once again become a net source of energy, and (3) meet human food needs. Transformative investments should be made to (1) create regenerative practices appropriate to each ecosystem, (2) extend education and training to prove the value of regenerative practices, and (3) build infrastructure to help farmers capture more of the value of the products they produce (de la Torre Ugarte and Hellwinckel 2010: 374–378). When we view our Tanzanian outgrower case from this broad perspective, it underlines the urgent need to address the risks of declining soil fertility as well as the lack of education and supporting infrastructure, all of which hinder sustainable biofuel production.

Conclusions and Implications for Practice

As our case has illustrated, the positioning of organizations in the continuum of different objectives such as social development, profit making and environmental protection is a crucial aspect of decision making in the biofuel sector, as trade-offs between these dimensions will most probably occur along the way. Porter and Kramer's (2011) portrayal of social entrepreneurship as a 'win-win' scenario (see Bitzer and Hamann 2015) is certainly not borne out by the experiences on the ground in Tanzania. There are signs that societal objectives that contribute to local wellbeing and conservation of local ecosystems are conflicting with the profit making objective, and that the latter may take precedence over the former as upscaling and export oriented production may be required for financial feasibility, which is a necessity to functioning in the longer term. The same tension may also affect greenhouse gas reduction objectives, but perhaps to lesser extent. Carbon credits can form a serious and reliable income source, but may pose certain limitations on how Jatropha is grown, as smallholder based cultivation is more difficult to certify than central plantations. That means that environmental and social objectives could also clash. In particular, trade-offs can occur in this sphere if the push to expand biofuel cultivation for export to meet EU and US standards to mitigate climate change becomes leading above ambitions for poverty reduction and conservation of local ecosystems. In our case, this materialized for instance in the rather perverse consequences deriving from the overriding priority that is given to meeting hard greenhouse gas emission targets over ensuring long-term soil health, as expressed in European certification schemes like the Dutch NTA8080. Therefore, active roles of non-profit oriented stakeholders are needed for market regulation to ensure that the social objectives are met also in later stages of the innovation trajectory of companies. This will be required from actors on different levels of decision making, local, regional, and global.

From the outgrowers' point of view priorities should be: improving food security and generation of extra income, and in the long run sustaining, or even better, improving soil fertility and water conservation to increase yields. Although the role

of the Tanzanian government is changing towards more active regulation within the past few years, the question is whether this will be enough to ensure the prevalence of social and local environmental objectives and minimization of risks for vulnerable groups above profit making by elite parties and mitigation of climate change. Participation of farmers and the local population in the development of policies to regulate biofuel development is still limited. These groups have difficulty in negotiating with developers and investors (Romijn and Caniëls 2011). For small outgrower farmers specifically, their weak negotiating position has resulted in relatively low seed prices, which means that not much has been achieved in the way of poverty reduction so far, even though the support offered in the form of seedlings and especially agricultural knowledge is valuable, and even a little extra money is appreciated by people living in poor areas without alternative higher income-earning opportunities. Furthermore, the flexibility of hedges and other forms of multi-cultures which is the backbone of this biofuel model is essential for their food security.

The Tanzanian government plays a key role in market regulation locally, through governance of land rights, import and export regulations and subsidizing and taxing of fuels. The Tanzanian governmental institutions, but also international institutes and even multinationals that are part of the global biofuel chain, can play an important role for instance by shifting subsidies from the investor (in the phase of "learning to be effective") towards NGOs and farmers, and by investing in local infrastructure and setting regulations for instance to strengthen people's customary land rights and avoid environmental impacts (in the phases of "learning to be efficient" and "learning to upscale").

Engaging in better governance for the poor and the local environment is especially important since the companies in the Tanzania Jatropha biofuel sector are still struggling to generate profit. The outgrower business model has passed through the innovation stage of learning to be effective, and made serious efforts to become efficient, and is now reaching the stage of up-scaling. Due to the exigencies of increasing efficiency without being profitable as yet, the company was forced to reduce the costs for farmer support which could compromise its social objectives. Major bottlenecks to increased efficiency derive from the firm's local operating environment. There is a severe lack of supporting infrastructure, such as reliable electricity provision. Other bottlenecks are the need to compete with fossil fuels which are often subsidized, and to be able to access additional funds that will allow the up-scaling stage to continue and the break-even point to be reached.

New innovations in development finance, for instance through carbon credits, may be a way forward for companies such as this one. However, certifying decentralized smallholder outgrowing schemes seems very complex and expensive due to the large number of very small-scale growers involved and the complexities of geographical dispersion and cooperative organization. If certification is unaffordable, then the question arises whether biofuel certification is indeed the right policy tool for enhancing socially responsible business in Africa, since in practice it may act to exclude the target group defined in the policy itself, which

speaks of enhancing local well-being, welfare and prosperity and sustaining local ecosystems (see, e.g. the Dutch 'Cramer Criteria' in Cramer 2007). Innovative ways of organizing and resource monitoring (for instance at communal village level, instead of individual smallholder level) and innovative governance (for instance social and environmental NGOs to approve and value the social and environmental achievements, rather than commercial independent certifiers imbued with western-style standards requirements and principles) may help solve these problems in future (Amit and Zott 2012: 44). Very welcome would also be innovative insurance to protect smallholder farmers when investing labour and allocating land for innovative crops, as initial expectations are often too high and poor farmers can and should not carry the costs of failed experiments. The quotes from conversations with two Tanzanian Jatropha outgrower farmers given below are highly instructive about their position and perspective in this respect (Fig. 4.2).

> "I don't know how many kilogrammes per tree I can harvest, but from next year I will keep an eye on it. For now, I'm already happy that there are seeds growing on my trees, although they are not numerous." Mr Zebazeba, outgrower Orkesumet.

Fig. 4.2 Picture of student interviewing a Jatropha smallholder farmer (fieldtrip to Tanzania in 2011, H.A. Romijn and S. Heijnen)

> "I have already divided my farm amongst my wives. I will instruct them how to grow and harvest Jatropha, and convince them to build a house from the money from harvest they will have, so I can live in one of the houses." Lucas Ngukuu Karomo, Orkirun'urung.
>
> (Quotes recorded by MSc student Sanne Heijnen who interviewed outgrowers in Tanzania for her MSc research at TU/e School of Innovation Sciences; Heijnen 2010: 85)

The described social business model seems appropriate for the high expectations we, as a society, ascribe to biofuels; however, pro-poor development, environmentally responsible operation and profitability can only be guaranteed if we – i.e., biofuel consumers in the North – are willing to pay extra for substantial social and environmental benefits, and if financial investors are willing to embrace a longer-term horizon, and if they are willing to accept lower financial returns on socially and environmentally responsible investments, at least in the short run. As such the implementation of the business model demands larger, more active public, social investment, and civil society components to make it work in the next stage of innovation – upscaling and diffusion – to make sure that social and environmental objectives are not shoved aside for profit making. Presently, social entrepreneurs in the Tanzanian biofuel sector are still at a stage of 'tight rope walking', balancing delicately to deal with trade-offs between the different dimensions of sustainability in a new sector which entails huge global issues as how to ensure livelihoods, food security, soil fertility, biodiversity, and combat climate change.

In conclusion, we list some managerial policy lessons that have contributed to the success of the company discussed in this chapter in meeting these challenges so far (see Romijn and Gevaert 2013, for more details). These lessons underscore the importance of the point introduced by Bitzer and Hamann (2015) that new management practices and competences are needed for social entrepreneurship:

- Common-sense management – i.e. avoiding to be swayed in the early years by heady promises about Jatropha that were widely endorsed but appeared unrealistic upon close consideration; while keeping faith and being extremely tenacious during the tough years that follow, in searching for financial solutions and exploring future development strategies.
- Turning problems around into opportunities for new learning and improvement, and being flexible enough to embrace the unexpected. At the same time, it is important to stay true to core values, even while key business partners behave opportunistically.
- Developing incrementally, based on experiential learning-by-doing.
- Embedding the company into a broader learning network with complementary actors who adhere to like-minded principles and compatible goals, such as local NGOs which are in the business of organizing local smallholders into groups and linking them to market channels, and academic institutes whose students and staff can contribute with research at minimal cost.

The last point – creating complementary and shared value – is particularly crucial. It is clear that social entrepreneurs cannot do it alone, especially as long as the economic context within which they have to operate remains predominantly based

on neoliberal norms and values (Stubbs and Cocklin 2008). Addressing these deep-seated obstacles will require an unprecedented degree of cooperation between entrepreneurs, governments, multinationals, local companies, NGOs, as well as the financial sector; above all, it will need to encompass changes in mind-sets and priorities. The two chapters focusing on the role of higher education in fostering social entrepreneurship in part V of this volume testify to a rising consciousness about the need to effect this transformation (see Nilsson et al. 2015; Hall 2015).

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Part III
Strategies for Incumbent Businesses to Engage in Social Innovation and BoP Markets

Chapter 5
The Evolution of a Sustainability Leader: The Development of Strategic and Boundary Spanning Organizational Innovation Capabilities in Woolworths

Nadine Methner, Ralph Hamann, and Warren Nilsson

Abstract How and why do business organizations make strategic commitments to sustainability and develop the organizational capabilities for achieving them in innovative ways? We seek to contribute to the debate by exploring the development of Woolworths' relational approach to sustainability innovation. Woolworths is an illustrative case study because of its far-reaching commitments, sustainability management system, and boundary-spanning work, specifically in its supply chain. The company's "Farming for the Future" programme offers a particularly sharp illustration of how sustainability leaders can come to identify their own long-term interests as inter-dependent with the broader social-ecological system, and how novel organizational and relational capabilities are necessary to conceive and implement such innovations.

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Introduction

In this chapter, we seek to contribute to an evolving understanding of how and why organizations, specifically business organizations, make strategic commitments to sustainability and develop the organizational capabilities for achieving them. This is an increasingly important area of investigation in the context of global and local social-economic and environmental problems, and the significant role played by business organizations in contributing and responding to these problems. As introduced by Bitzer and Hamann (2015), sustainability innovation does not only develop through individual entrepreneurial efforts, but may also emerge in large, incumbent businesses. In particular, we discuss an in-depth case study of Woolworths, a South African retail company characterized by significant commitments to and efforts in sustainable development, for which it has been recognized also internationally.

Woolworths is particularly notable for the degree to which its strategy and its identity are rooted in engagement with the broader social-ecological system of which it is part. The company has come to understand itself as an agent of institutional and environmental innovation, not only as a marketing approach for competitive differentiation but also as a core aspect of the way it assesses risk, develops products, and responds to the South African context as a corporate citizen. While there are a number of historical and contextual factors underlying Woolworths' capacity for systemic engagement, perhaps the most important is the company's approach to developing stakeholder relationships, particularly relationships with its suppliers and with environmental experts and advocates. Benn and Baker (2009) argue that traditional, team- and firm-centric approaches to organizational development are inadequate for catalysing sustainability innovation, since such innovation necessarily involves boundary-spanning, systemic relationships. They suggest that sustainability innovation requires a co-evolutionary approach among various organizational actors. In line with this perspective, Woolworths has fostered a relational approach to strategy (Dyer and Singh 1998) and a distributed approach to innovation (Dooley and O'Sullivan 2007) in which long-term, dialogic, learning-based stakeholder relationships are key drivers.

Responding to calls for a more empirical understanding of how stakeholder perspectives are integrated into core business strategies and activities (e.g., Barnett and Carroll 1995; Freeman et al. 2010), we explore the development of Woolworths' relational approach to sustainability innovation. We begin by considering how and why Woolworths' broad sustainable development commitments were defined and implemented as part of its "Good business journey" (Gbj). Specific attention is given to the company's sustainability performance measurement and management system. These efforts had their origin among the executive leadership team of the company, with a prominent role also for the board in overseeing and guiding performance against public and internal sustainability targets. Second, we discuss in some detail the development and implementation of a particular initiative, the "Farming for the Future" programme (henceforth "FfF"), in which the company is playing an innovative, proactive role in supporting environmentally friendly and long-term

agricultural production practices among its suppliers. FfF offers a particularly sharp illustration of how Woolworths identifies its own long-term interests as interdependent with the broader social-ecological system, and of how it develops and applies organizational and relational capabilities in order to implement the initiative. In this way, the case contains elements from both perspectives on social innovation, i.e. social innovation as a process and as an outcome. We also give attention to the genesis of the FfF programme, with its origin among middle-management effectively, but not always easily, complementing the more strategic orientation of the Gbj.

By considering the initial conditions and strategic drivers that made possible and motivated these commitments and initiatives, and by analysing the organizational capabilities required for their implementation, we seek to contribute to the growing literature on business contributions to sustainable development, in particular the role of established businesses in social and environmental innovation. We thereby complement other contributions to this book, which approach such type of innovation from an entrepreneurial perspective focusing on small and even micro businesses (Littlewood and Holt 2015; Smith and Seawright 2015; Balkema and Romijn 2015) or from a relational perspective highlighting the multiple actors involved in innovation (McKague et al. 2015; Moore 2015; McLachlan et al. 2015; Kuenkel and Aitken 2015). While our chapter picks up elements reinforcing their different perspectives – for instance, the overlap of social and environmental innovation or the importance of stakeholder relations – we add insights on the distributed nature of innovation processes *within* an organization, the capabilities required to initiate and sustain such processes and the interfaces between internal initiatives and external stakeholders.

The chapter is based on interviews with managers from Woolworths and some of the collaborators in the FfF programme (see Annex 5.1), and on document analysis of public and internal company reports. In addition, one of the authors has been working with Woolworths for the past 7 years in developing and implementing the Gbj performance measurement system – this has involved longer-term, repeated interactions with a number of Woolworths' managers and direct access to various challenges and opportunities associated with the implementation of the Gbj, some of which are discussed in this chapter.

Woolworth as a Sustainability Leader

Since the opening of its first store as a family business in Cape Town in 1931, Woolworths has developed into one of South Africa's largest retailers with over 400 stores throughout the country and an initial expansion into Africa and the Middle East (Luiz et al. 2011). The holding company, Woolworths Holdings, also owns the Australian retail company Country Road, stores and produce of which are also becoming available in South Africa. Woolworths focuses mainly on food, clothing and home ware and its target market is predominantly medium and high

income consumers who want quality assurance and tend to have high levels of environmental consciousness (de Jager 2009). The higher-end market segment is particularly significant for the company's food business, with a strong emphasis on fresh produce. Indeed the company has about a third of the country's formal fresh produce market share (that is, excluding the large informal market in fresh produce). Woolworths has built its brand differentiation on high quality, consumer trust, innovation and sustainability (Luiz et al. 2011). About 95 % of its products are private label and most of them are developed in-house.

The focus on sustainability has become particularly prominent with the launch in 2007 of the Gbj, described as a "comprehensive plan to make a difference in four key areas: transformation, social development, the environment and climate change – all challenges facing not only South Africa, but the world at large" (Woolworths 2012). The Gbj has become a prominent and distinguishing feature of Woolworths' brand (for illustration, see the company's website: http://www.woolworths.co.za); and it has also become a vital value frame and performance management system within the company. The company's sustainability efforts have been credited by internal and external stakeholders for contributing to a strengthening of the company's brand, increased customer loyalty, and a strengthening of company's shareprice. They have also been internationally recognized: for instance, the company received the "International Responsible Retailer of the Year" award from the World Retail Congress in 2008 and 2010, with specific reference to the policies and performance measurement system established for the Gbj, and to specific initiatives implemented as part of the Gbj, respectively.

The Good Business Journey and Its Organizational Implementation

The company's commitment to sustainability has been seen as a significant potential source of competitive advantage, differentiating Woolworths from some of its key competitors. However, the idea of the Gbj and its commitment to a process of continuous improvement did not arise out of vacuum – it was preceded by a process called the "Good food journey", in which managers in the company's food business (1 of 11 business units) made commitments to produce quality and, vitally, linked these to social and environmental performance in the supply chain.

From the start, the Gbj was intimately associated with the company's (then) CEO, Simon Susman, who described the motivation for the Gbj as follows in the launch press release. The release contains a number of key themes of importance in our discussion, so it is worthwhile quoting at some length:

> It is becoming increasingly obvious to all businesses that sustainable growth can only be achieved through greater attention to the world around us than has been the case in the past. The links between economic growth, transformation, poverty alleviation, the environment and climate change can either form a vicious or a virtuous circle. For the past 75 years, these issues have always been at the heart of Woolworths, but the launch of the Woolworths 'Good business journey' marks a step change in the way we will operate going forward, ensuring that we drive that virtuous circle that will benefit all of our stakeholders.

> Our customers and our people expect us to take a lead on issues such as this. Our 'Good business journey' is, therefore, the result of a comprehensive and systematic review of the way Woolworths addresses the issue of sustainable growth within the context of the changing social and environmental needs of South Africa. It is a five year plan, changing the way we do business, and incorporating a series of challenging targets and commitments, centred on four key priorities: accelerating transformation, driving social development, enhancing our environmental focus, and addressing climate change…
>
> We have used the phrase the 'Good business journey' because this truly is a journey and there are no easy solutions. We are committed to meeting the 5 year targets we have set and to do this, we will be exploring new ways of doing things in many areas. Reaching these destinations will require significant behavioural and cultural change. If we can take our customers and suppliers along with us, this journey will have an even more meaningful impact on the wide range of transformational, social and environmental challenges that face South Africa (quoted in Woolworths Holdings 2007).

Already at the outset, therefore, there was a strong emphasis on the interdependence between the company and its social-ecological context; an emphasis that was aligned with, but not required for, the emergence and implementation of the FfF programme, to be discussed in more detail below. The launch quote also highlights another important feature of the Gbj, implicit in the title of the initiative: there was from the beginning a strong emphasis on the process of continuous improvement in responding to sustainability issues, and this process was systematized in an initial 5-year plan centered on particular targets. Some of the Gbj commitments were made public as part of the above-mentioned press release, and while some of these were stated in broad terms (e.g. "Accelerate environmental conservation and biodiversity programmes"), some already entailed measurable targets: e.g., "Increase organic and free range food sales fourfold to over ZAR1bn per annum and increase organic-content clothing sales to more than ZAR1bn per annum," and "Reduce relative carbon footprint by 30 %."

The organizational implementation in the Gbj's first 5-year segment therefore focused on a systematic process of identifying indicators for measuring various aspects of Gbj commitments, as well as a broader array of themes identified on the basis of internal discussions and external guidelines, including in particular the Global Reporting Initiative (GRI). Efforts to assess companies' sustainability efforts, from both internal and external perspectives, have a long history, of course. Referring to the wide array of externally sponsored ratings and indices, such as the Dow Jones Sustainability Index, Chatterji and Levine (2006) bemoan their lack of consistency and rigour. Meanwhile, companies have been experiencing increasing expectations to report publicly on their sustainability performance, with the initial discussions in the 1970s on social accounting (Estes 1976) culminating in the prominence of the GRI's (2006) list of standard disclosure indicators and the most recent move toward a single report integrating disclosure on both financial and sustainability criteria (Eccles and Krzus 2010).

However, a list of indicators for internal and external reporting purposes was not considered sufficient by the corporate leadership – some form of composite indicator (or index) framework was required. Students from the University of Cape Town were invited to conduct a project to investigate how such a composite indicator framework could be developed. They considered existing attempts to construct more rigorous 'composite sustainability indicators' at the company level, such as

Krajnc and Glavic (2005), but concluded that the most appropriate system might be an adaptation of the Barometer of Sustainability. Initially developed by IUCN (1995) for use by governments at different levels, this framework argues that ecosystem wellbeing and human wellbeing need to be achieved concurrently. For both sub-systems, indicators are proposed for which the actual values can be mapped onto a scale from 0 to 100 (much like in the case of the Human Development Index) and subsequently aggregated on the basis of weightings that are subjectively defined. In contrast to some other composite sustainability or environmental indicators (e.g. Esty et al. 2005), there is no attempt to make this an objective process – instead it is argued that subjectivity is an inherent aspect of such measurement systems and that it ought to be made explicit and transparent.

The students' recommendations were implemented in a number of discussions in workshops including internal managers and external consultants, resulting in a list of about 200 indicators and initial targets covering a variety of issues under each of the five overarching 'factors'; environment, governance, social, economic, and transformation (the latter being a South African priority in the wake of apartheid, e.g. Fig 2005). The emphasis was therefore on developing a 'bottom-up' list of indicators focusing on internal stakeholders, though arguably more could have been done to include external stakeholders in this process (Branzei and Rao 2007; Chamaret et al. 2007).

At a certain stage these discussions also included the company's IT managers, in order to develop a company-internal information system that could facilitate the collection of data on each of the identified indicators, convert this data on 'actual' performance to an 'index' score between 0 and 100, based on how the actual score compared to the target for that indicator. The index scores could be aggregated into higher levels of thematic abstraction, such as a single score for the 'environment' factor, or certain organizational units, such the aggregate score in a particular category for a particular business unit. The aggregate scores could then be visualized in bar-charts (e.g. Fig. 5.1), which provided executive managers and board members with an accessible overview of how the company was performing relative to targets in particular thematic areas or in specific business units. As noted in the company's 2008 annual report (Woolworths Holdings 2008):

> In our Good business journey report last year, we noted that our focus for 2008 would be to embed the Good business journey as a way of working into the business and to measure our delivery against our 1 and 5 year goals and targets… These scores reflect our progress as an organization towards the stated 5 year targets and 1 year goals, at both a corporate and key indicator level (i.e. transformation, economic, governance, social and environmental). We are also able to track progress by business unit against each of the indicators for which they are responsible. Both the detail at business unit and indicator level and the ability to provide a single score for the business every 6 months, are invaluable in ensuring that good progress is being made and that we will ultimately be able to deliver our stated 2012 targets… Our ability to agree clearly defined targets and to measure performance against these targets is, we believe, critical to the delivery of the Good business journey, driving the entire business towards a single end goal. This momentum requires that the individual business units embed issues of sustainability deep into their ways of working and constant reviews of progress with the business unit heads entrench the Good business journey even further.

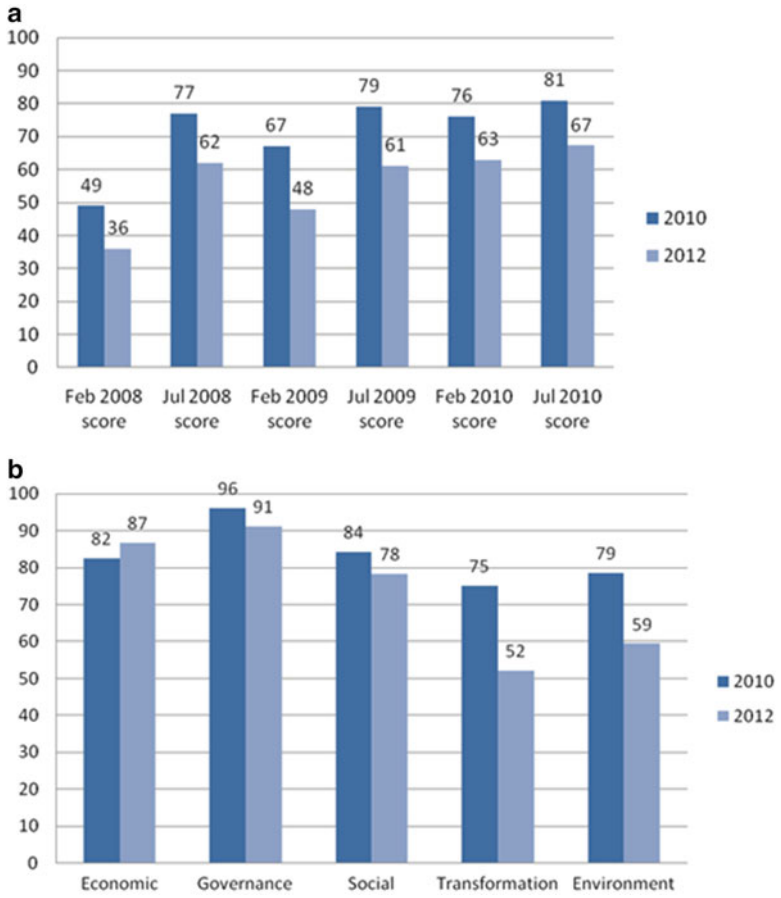

Fig. 5.1 Examples of bar-charts summarizing particular aspects of the Woolworths Gbj performance measurement system. (**a**) Corporate scores in bi-annual measurement cycles, 2008–2010, relative to targets for actual year (*dark*) and 2012 (*light*). (**b**) Aggregate scores for different sustainability factors relative to targets for actual year (*dark*) and 2012 (*light*)

This performance measurement system had a variety of benefits. For a start, the conversations among company managers and consultants in the definition of indicators and corresponding targets required the development of codified knowledge on the entire range of sustainability issues, specific to the company. While guidelines such as the GRI provided some support, the indicators that were eventually agreed upon are specific to the company's history and context. The second step of agreeing upon targets for each of these indicators then required an explicit discussion and decision on how far the company was willing to push for enhanced performance on this issue, bearing in mind public and internal commitments, as well as possible costs. This process often required separate investigations in order to identify current performance on particular indicators, i.e. baseline performance, as well as benchmarks,

as far as they existed. Not only was the Gbj performance measurement system an innovation in its own right, therefore, but its development, implementation and continuous improvement has been an important source of knowledge creation among a broad array of Woolworths' managers. The development of a company-internal information system has gone some way to ensuring that this knowledge is codified and recorded and thus not dependent on particular managers and vulnerable to employee turnover.

A second set of overarching benefits has been in terms of the explicit objectives of the performance measurement system, that is, to inform managers and the Board with regard to the company's performance, in order to respond effectively to possible problems, and to provide appropriate incentives to managers. With regard to the former, the measurement process highlighted areas in need of attention – often these were identified by the sustainability manager, who could in many cases implement response actions even before this information was submitted to the Board.

Sometimes the measurement process provided a number of important surprises, where the company did either worse or better than initially expected. It thus became a vital tool in evidence-based management, providing a framework for regular information collection with regard to both internal and external processes. For example, the measurement process uncovered in 2009 that there was a temporary lapse in ensuring that minimum wage employees were paid a certain proportion above the minimum wage specified by the state (due to a recent raise in the latter). Secondly, the Gbj, and the measurement process in particular, contributed to a more systematic overview of the company's policies and operations with regard to the various issues covered by the Index. So, for instance, it became apparent that there was much overlap and inefficiency in the policies and practices surrounding the company's dealings with suppliers – this contributed to a systematic review of the payment terms and agreements for suppliers, as well as a more streamlined set of information collection and auditing processes (integrating previously separate social, environmental and governance questionnaires, for a start).

Finally, the measurement system provided data and an overview of relationships that could be used to further substantiate and motivate for the broader sustainability commitments the company had made and was continuously making. This was a vital feature of creating a broad level of support among all key stakeholders for the company. Simon Susman explains that, initially, there was some resistance from financial managers to the kind of sustainability commitments the company was making (Susman S, 5 December, Durban, South Africa, personal communication). However, this resistance reportedly changed to strong support with the realization that there could be direct financial benefits from some of these efforts, over and above the broader benefits hoped for in terms of corporate branding and marketing opportunities. A rigorous system of measurement, premised on a culture and systems preceding the Gbj index, was instrumental in this because it provided quantitative measures that showed, for instance, the reduction in energy expenditures resulting from the company's energy efficiency efforts (which also preceded the Gbj launch). Making this kind of 'business case' argument to potential contractarian critics (Margolis and Walsh 2003) of the Gbj has been an important rhetorical device for the CEO and the sustainability manager. The clearest expression of this has arguably

been the argument, indeed the condition, that the Gbj should be 'cost neutral' to the business – specifically that none of the investments for the Gbj would need to be passed on to the customer in terms of increased costs.

Every 6 months, a summary report with bar charts such as those in Fig. 5.1 and explanatory text was submitted to the Board, specifically the sustainability board committee established in 2007 in conjunction with the launch of the Gbj, including among others the Board Chair and CEO. There is not much evidence that discussion of these reports by the Board led to significant changes in strategy – rather, it seems that the prospect of these Board discussions cast a "shadow of hierarchy" (a term proposed by Börzel and Risse 2010, with reference to the role of states in public governance, but also applicable in the corporate context, in our view). That is, managers' awareness that the scores would be assessed by the Board provided significant motivation for, first, working toward enhanced scores, and second, suitably explaining why some scores were low and what was going to be done about this.

Managers' incentives for enhanced sustainability performance, as measured in the Index, were further increased by formally linking their bonuses to scores for those indicators that were in their sphere of responsibility (as assigned by the information system). There was thus a direct link between remuneration and measured performance against sustainability targets. At one point, there was a concern that this link could have the unintended effect of incentivizing actions focused on increasing scores at the expense of a holistic and integrated approach to sustainability – a basic example of this may be an effort by managers to keep targets as low as possible. But these concerns were not substantiated, in large part due to the role of the company's sustainability manager, who has been playing the role of a central custodian for the Index.

Farming for the Future: Sustainability Innovation in the Socio-Ecological System

While the Gbj was clearly driven by the executive leadership, it emphasized the need for sustainability innovation to arise from all parts of the organization. Indeed, Susman tells many stories of how employees make suggestions to contribute to the Gbj objectives, which are then piloted and then implemented across larger parts of the organization. These stories contribute to an emerging folklore within the company in support of the Gbj mission. One of them is the story of an unnamed employee in the corporate office building, who 1 day suggested that it is unnecessary to have hot water for washing hands – this led to the hot water geysers being switched off in the building, resulting in large energy and financial savings.

Another, much larger Woolworths initiative that grew 'from below' is the Farming for the Future (FfF) initiative. Its protagonists comprised a small team with unique backgrounds, knowledge and influence: the manager of the food business unit, who also happened to be a farmer, a food technologist with extensive background in soil science, and a passionate environmental manager with a long history of championing

environmental issues in the company and in its food business, in particular. Together they identified a trend on many of their suppliers' farms of decreasing productivity and soil fertility, and increasing use of water, fertilizers and pesticides. This trend was recognized with a high degree of certainty because of the above-mentioned culture of measurement in the company – Woolworths' information database on environmental and production issues among suppliers is reputed to be very detailed and extensive.

In the context of continuing scientific and policy-related debate surrounding agricultural practices that enhance long-term productivity in the context of declining natural resources (e.g. Foresight 2011), these Woolworths managers developed a concept of what they considered best practice in farming, in effect syncretizing aspects of nature-based farming concepts, such as organic and biodynamic farming, and scientific, 'green revolution' based practices. Throughout, the emphasis was on creating a farming concept that was appropriate for the environmental conditions on South African farms, most of which are confronted with significant water insecurity, for instance. In doing so, they conducted numerous discussions with farmers and invited experts, who they considered leaders in the field. In particular, an Australian expert was invited for a 1-week workshop of discussions and development. A consultancy, comprised of natural science experts, was hired to help develop the model and to conduct a 1-year pilot project with 40 of Woolworths' suppliers.

The model was launched in 2009 and implemented across all Woolworths' suppliers, though of course on a voluntary basis. Interviewees saw it as a sign of the integrity of the concept, as well as the importance of Woolworths as a customer (as noted, the company controls about one-third of the country's formal fresh produce market), that by early 2012 only one out of an estimated 140 suppliers had resisted implementing the FfF concept. In 2011 and 2012, the model was expanded into horticulture, wine and dairy, with the intent that by 2015 50 % of the entire food business will be transformed.

Implementation consists of a process that commences with an annual farm audit, which identifies key risks to agricultural productivity and proposes responses to them, in discussion with the farmer. Woolworths pays for the annual farm audits, while the farmer has to cover the cost for the measures to be implemented based on the recommendations made. Importantly, the audit is meant to be dynamic and interactive, taking into consideration the farm's history and possible lessons from the farm for the FfF concept.

The overarching aim of FfF is to develop an alternative agricultural system that uses soil fertility as its foundation. It is based on the understanding that maintaining a reliable supply of high quality products in the context of rising demand, existing environmental pressures, and projected climatic changes can only be achieved through good soil and water management, i.e. preserving the environmental integrity of the farming units. The risk assessments on the farms have shown that most of the farmers tend to over-irrigate and have poor waste water management practices in place. It is not that the farmers intentionally pollute the river or over-abstract water. They are often not aware of the various, sometimes hidden ways, in which their practices impact on the water resources on which they depend.

Since its inception in 2009, FfF has already had measurable impacts at farm level: according to the annual audits and external reviews, farmers have reduced the use of fertilizers and pesticides and employ more efficient, science-based irrigation methods and waste water management plans. This has not only reduced farms' impact on the environment but has also reduced input costs (for water, fertilizers and electricity). These reductions in input costs, together with the improvement in the quality of their crops, have been an important selling point to the farmers. Rather than seeing FfF as a policing system or a checklist of unreasonable demands, interviewees suggest that they value the expert advice provided by the consultants and the Woolworths technologists.

Internal Innovation

Based on these characteristics, FfF is an important environmental innovation, defined by Kemp and Person (2007: 7) as "a product, production process, service or management or business method that is novel to the organization (developing or adopting it) and which results, throughout its life cycle, in a reduction of environmental risk, pollution and other negative impacts of resource use (including energy use) compared to relevant alternatives." Importantly, FfF has involved innovation at a number of levels. At the cognitive and scientific level, the FfF farming model represents an innovative way of developing and synthesizing codified knowledge about farming practices. Internally, within Woolworths, FfF represents a systematic effort to develop and codify the kind of knowledge necessary to develop and implement the FfF model in the company's supply chain. Woolworths' food technologists, for whom the overriding concern has traditionally been food hygiene and safety, are reportedly now placing also emphasis on sustainable land and water management practices. That is, they have a better, more holistic understanding of the source of Woolworths' products, the importance of ensuring its long-term viability, and the efforts likely to be required in this regard.

The FfF programme is now widely admired by civil society groups and even among competitors (even if only in informal conversation). But it is important to point out that its success was not guaranteed and the programme's protagonists needed to convince executives of the benefits of taking non-trivial risks in embarking on it.

> Farming for the Future was a first for Woolworths. Before, [our] approach was to ensure compliance to existing rules and standards. It took three years of hard work to convince farmers as well as Woolworths managers [….] The biggest challenge during the development of the programme was how to develop it scientifically. How to make a scientific case, showing the improvement achieved through the approach but also using scientific evidence to identify and solve problems […] The CEO was initially skeptical but gave us a chance to prove the concept and after that his leadership was crucial (Pienaar, interview, 6 January 2012).

This quote emphasizes the challenges involved in obtaining executive leaders' full support for the initiative, even though this is likely to have been supported significantly by the existing commitment to sustainability among the CEO, in particular. It also shows the important emphasis on evidence-based decision making within the firm, with a strong commitment to scientific argumentation. What is not often realized, however, is the important role of the programme proponents' personal convictions. Much of the significant time spent on developing the FfF concept, at least in its initial stages, was dedicated to it without direct links to the proponents' agreed performance indicators. A commonly emerging theme in a number of initiatives linked to Woolworths' sustainability efforts, therefore, is the important role played by internal activists, or social 'intrapreneurs', in influencing the company's policies and its interactions with customers and other stakeholders. An explicit motive for them is premised on the significant potential for the company to influence practices among suppliers and other stakeholders, including customers – that is, the social 'intrapreneurship' is directly linked to the company's social and institutional entrepreneurial role and potential. Furthermore, even though the firm may not have explicitly provided the kind of 'organizational slack' that at least theoretically contributes to corporate sustainable development efforts (Bansal 2005), the passion of key employees effectively created this additional set of resources.

External Innovation: Partnerships

In the process of designing and implementing the initiative, the company has engaged in a number of contractual, as well as informal alliances, specifically with the environmental science consultancy and with WWF. Such alliances are relatively common in firm's environmental strategies (for an analysis of one example, see Stafford et al. 2000), but an important, relatively less common characteristic of these particular relationships – especially the partnership with WWF – has been an emphasis on mutual learning. It should also be noted that while the partnership with WWF played an important role in the development and implantation of the FfF programme, the partnership covers a range of other issues, ranging from sustainable fishing to the company's adoption of the Water Balance programme.[1]

According to the interviewees from Woolworths, the trusting relationship that has emerged over the years has been very beneficial for the company, helping managers to better understand the emerging risk landscape in which the retailer operates.

[1] Woolworths was the first retailer that joined WWF South Africa Water Balance Programme. The Water Balance Programme is an innovative initiative for collaboration among public and private actors on the issue of alien invasive vegetation, which poses a big threat to South Africa's water supply. On the corporate side the programme has the aim to assist business organizations to become water stewards by reducing their water demand and to increase overall water supply by off-setting their operational water consumption through the sponsoring of alien clearing activities.

WWF's expertise on issues relating to climate change, biodiversity and water management has been of particular value for Woolworths as it helped to reveal 'hidden' risks in its supply chain. Furthermore, WWF's endorsement of initiatives such as Farming for the Future improves Woolworths' reputation. In turn, WWF's motivation for collaboration and knowledge sharing with Woolworths comes from the realization that retailers like Woolworths are in a powerful position in food and other value chains, with influence over their suppliers and consumers.

External Innovation: Suppliers and Socio-ecological System

Finally, the FfF programme demonstrates a novel and unusual commitment by the retail company to working with suppliers in the process of proactively supporting relatively significant changes in their practices, in the pursuit of environmental objectives. In this regard, there is some similarity to other companies' efforts in addressing working conditions among their suppliers (Kolk et al. 1999), though arguably the adherence to social and labour codes of conduct does not entail the kind of significant changes in core business practices represented by the FfF model.[2] In addition, social and labour standards are generally established by third parties, while the FfF programme was developed by the retail company itself.

The FfF programme has been premised on and is further contributing to a dialogic relationship (Isaacs 1999) between the company and its suppliers. That is, not only is it based on the hierarchical relationship established on the basis of the company's significant power in the fresh produce sector, but it also involves an explicit emphasis on mutual learning and benefit. The annual audit and associated training are meant to allow for better knowledge transfer and skills development between the Woolworths technologists, farmers and auditing consultant. Among other things, this dialogic relationship helps the company to promptly detect existing and emerging problems in the supply chain and to identify and implement collaborative responses that are suitable to the specific context of the farms in question. Emphasizing the longer term benefits of the FfF farming model for the farmers themselves, and contributing to the cognitive understanding of these benefits among the participating farmers, has been described as a crucial factor in bringing about the high rate of uptake among the farmers.

It is important to note that the character of relationships with suppliers being developed in the FfF programme is not just a function of the programme itself. A likely precondition for the FfF programme has been the pre-existing strategy and

[2] Here it should be noted that, with regard to social standards in the supply chain, some interviewees suggested that more might be expected from Woolworths and that the FfF programme's emphasis on environmental issues did not have an equal counterpart in the realm of social standards.

culture of Woolworths to have long-term, collaborative relationships with its suppliers – indeed this has been a defining feature of the corporate strategy (Luiz et al. 2011). Conceptually, this approach is supported by Dyer and Singh (1998), who have investigated how relational investments contribute to and redefine competitive advantage, pointing out that relation-specific investments – such as long term relationships with suppliers – lead to cost reductions in the value chain and allow for collaboration and cooperation in a fast changing environment. With specific reference to social and environmental strategy, the FfF programme's emphasis on mutually beneficial interactions with suppliers is a good example of Porter and Kramer's (2011) recommendation that companies enable "local cluster development," because capable local suppliers assist firms in increasing flexibility, foster faster learning and enable innovation. In a similar vein, Woolworths has adopted an emphasis on local procurement,[3] emphasizing the benefits to quality and reliability that stem from established roots and relationships with suppliers and consumers.

Woolworths' FfF programme thus lends strong support to recent developments in supply chain management theory, which emphasizes the increasing prominence of social and environmental issues in supply chains, and the interdependencies and collaboration potential between supply chain participants in responding effectively to these issues (Gold et al. 2010; Spence and Bourlakis 2009). Similar to Spence and Bourlakis' (2009) case study of Waitrose in the UK, however, the dominant role played by Woolworths in its supply chain suggests it is playing what they call a "corporate social watchdog" role, rather than facilitating "supply chain responsibility" premised on "genuine partnership". A further emphasis in this emerging literature is the shift of competition from "an inter-firm level to an inter-supply-chain level" (Gold et al. 2010: 230). However, while FfF was driven largely by the desire to maintain the long-term viability of high-quality fresh food supply, it is less likely to have had "inter-supply-chain level" competition as a primary driver. This is because many of the suppliers benefiting from the FfF programme are also supplying Woolworths' competitors.

Using the lens of social-ecological systems and environmental governance, the FfF programme represents an innovative and proactive strategy for a retail company to become engaged in the broader social-ecological system of which it is a part. This has involved the building of resilience within Woolworths by developing capabilities to detect and respond to hidden and emerging risks. It is also enhancing the resilience of the broader social-ecological system by contributing to more sustainable farming practices and to farmers' skills development. The FfF programme demonstrates the possibility of retailers playing a vital boundary-spanning role, that is, "an intermediate role between different arenas, levels or scales [facilitating] the coproduction of knowledge" (Cash et al. 2006: 8). Such boundary-spanning activities are vital in the kind of "polycentric environmental governance" that is required in addressing complex sustainability challenges (Ostrom 2010).

[3] For example, 92 % of Woolworths' fresh produce come from South African suppliers. (Tom McLaughlin, 13 Apr 2011, personal communication).

Conclusion and Implications for Practice

In this chapter we responded to calls for a more empirical understanding of how and why business organizations make strategic commitments to sustainability and develop the organizational capabilities for achieving them in innovative ways. With our case study on Woolworths we explored the development of capabilities to measure and manage progress toward achieving a broad array of sustainability commitments. This emphasis on evidence-based decision-making and continuous, adaptive learning provided important resources for the company to sense emerging risks in its broader social-ecological environment (Whiteman and Cooper 2011) and to design innovative responses to them. Woolworths' FfF programme showed how sustainability leaders can come to identify their own long-term interests as interdependent with the broader social-ecological system, and how novel organizational and relational capabilities are necessary to conceive and implement such innovations.

The case illustrated how internal and external stakeholder perspectives are integrated into core business strategies and activities in the pursuit of social and environmental innovation (e.g., Barnett and Carroll 1995; Freeman et al. 2010), and how this has contributed to the evolution of organizational innovation capabilities. Internally, the Gbj and the performance measurement system has largely been a top-down innovation, with the measurement tool concurrently functioning as a management control system and an organizational learning mechanism. This learning dimension is arguably underemphasized in much of the literature on sustainability management systems (for instance, Gond et al. (2012) emphasize their diagnostic and interactive uses, but not adaptive learning; see also Searcy 2012).

The FfF programme, on the other hand, emerged as an innovation from middle management and asserted itself as a corporate commitment on the basis of careful empirical arguments made by employees with high levels of conviction and technical competence. They also had well-developed relational capabilities to establish diverse kinds of learning relationships with civil society organizations, consultants and of course the suppliers themselves. These convictions and capabilities could manifest themselves relatively effectively in the context of the firm's broader commitments to sustainability and evidence-based management. This chapter thus emphasized the beneficial inter-linkages between strategic sustainability commitments, evidence-based management systems, passionate "intrapreneurs", and boundary-spanning stakeholder relationships in underpinning transformative social and environmental innovations by corporations.

The findings of this chapter have three key managerial implications. First, finding innovative responses to complex social-ecological problems poses intricate challenges to corporations, as they require a fundamentally new way of conducting business. Above all, this involves that different knowledge sources are tapped into, both internal and external to the organization, to activate processes of reflection, knowledge creation and capability building on the issues at hand at all levels within the organization. Leadership commitment is imperative, but so is buy-in and

ownership from mid-level managers and other employees. Second, the implementation of the Gbj illustrates how sustainability leaders can conceptualize their own long-term goals as being interdependent on the broader social-ecological system. This entails that different types of interlocking innovations are required which exceed outcome-oriented social or environmental innovations and equally include different kinds of organizational innovations. Established corporations seeking to implement broad-based programmes aiming to facilitate a new way of conducting business hence need to manage these interfaces of interlocking innovations. Third, our chapter highlighted the importance of social intrapreneurs as key individuals within an organization who drive the launch and orchestrate the coordination of different types of complementary innovations. While intrinsic motivation is likely to play an important role in their actions, innovative remuneration schemes, like the one introduced by Woolworths, which coupled the payment of bonuses to sustainability performance, can provide further incentives for the emergence of social intrapreneurs.

Annex 5.1: List of Interviews

In chronological order

Name	Affiliation (position)	Dates of interviews
Tom Mc Laughlin, Johan Ferreira, Kobus Pienaar	Woolworths (respectively): Manager: Good food journey; Manager: Food business unit; Food technologist	23 July 2008
Tom McLaughlin	Woolworths, Manager: Good food journey	1 August 2008
Mao Amis	WWF South Africa	3 May 2011
Rodney February and Helen Gordon	WWF South Africa	3 May 2011
Tom McLaughlin	Woolworths, Manager: Good food journey	13 April 2011
Kobus Pienaar	Woolworths, Food technologist	6 May 2011
Tatjana von Borman	WWF South Africa	3 August 2011
Justin Smith	Woolworths, Sustainability manager	4 August 2011
Kobus Pienaar	(Formerly) Woolworths, Food technologist	6 January 2012

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Chapter 6
Obstacles to Firms' Adoption of Socially Embedded Approaches to BoP Markets

Clare Bland and Ralph Hamann

Abstract This chapter seeks to understand key obstacles to companies' efforts at developing and implementing 'base of the pyramid' (BoP) strategies. Critical in companies' efforts to service the BoP is the development of mutually beneficial relationships with the consumer base given that a high degree of social embeddedness fosters trust, knowledge-sharing and resource access between stakeholders. The chapter specifically explores case studies that exhibit socially embedded approaches of South African food companies with an existing BoP effort. Focus is on the need for learning and innovation; logistical challenges; BoP market risks; connecting with customers; financial constraints; and prevalent misconceptions. The research reinforces the view that initial models of BoP strategies underplayed the complexities involved in developing and implementing them. A number of constraints are identified, the detail and implications of which are often given relatively little attention, such as challenges related to crime, low levels of education, and the striking cultural and socio-economic distance between corporate employees and BoP consumers, as well as the already existing and increasing levels of competition in the BoP. A set of inter-relationships are identified and explained between these constraining factors, which ought to help managers develop a set of priorities with regard to strategic actions and timeframes. We conclude that the BoP discussion is moving on, at least among business decision-makers, from the question of whether there are business opportunities at the BoP, to the question of how best to identify and exploit them.

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Introduction

It has been argued that marketing strategies focused on poor, often overlooked consumers at the economic base of the pyramid (BoP) can offer firms new markets and sources of innovation and competitive advantage, while also contributing to poverty alleviation (Porter and Kramer 2006; Prahalad and Hammond 2007). Globally, it is estimated that the BoP population living on less than US$2/day numbers approximately 4 billion (World Economic Forum 2009).

Critical in organizations' efforts to service this market is the development of mutually beneficial relationships through a high degree of social embeddedness (Porter and Kramer 2011). Sanchez et al. (2006: 20) define social embeddedness as "the integration into diverse local networks that leads to the development of long-term and cooperative relationships and which may result in the achievement of common benefits for all the players involved in the network." These relationships are characterized by "developing embedded ties and alliances with local firms and non-traditional partners (local communities and entrepreneurs) in order to better understand customer needs and market characteristics" (Sanchez et al. 2006: 21). Research suggests that the benefits brought about by such embeddedness include access to key resources held within the BoP, the creation of trust among various stakeholders, and assistance with the generation of new knowledge pertaining to the BoP communities (Floysand and Sjoholt 2007). This showcases the complementarity of BoP perspectives and insights on social and environmental innovation, which likewise view wider community development through enterprise approaches (Littlewood and Holt 2015).

Yet, even though many large firms have responded positively to the notion of BoP and have made public commitments to such strategies, it is apparent that social embeddedness is much more rare and challenging. A review of companies' public reports, for instance, suggests that the BoP concept is popular among consumer goods companies, in particular, but there is little evidence to suggest that these companies make any concerted efforts at becoming more embedded in BoP communities.

This chapter, therefore, seeks to understand how companies respond to the recommendation of adopting socially embedded approaches to BoP markets and specifically what some of the key obstacles are, which may explain the relative absence of such strategies.

The research focuses on food manufacturing and retail companies in South Africa given that their efforts to better respond to BoP market needs are pertinent from a food security perspective (McLachlan et al. 2015). Innovative corporate strategies to enhance access to food through improved productivity, better distribution systems, or other measures, can thus play an important role in the broader struggle against hunger (Anderson and Billou 2007; Godfray et al. 2010; Hamann et al. 2011). South Africa, meanwhile, has been identified by many multinational companies as a useful laboratory for BoP strategies, given the juxtaposition of well-established infrastructure and financial systems, with widespread poverty in rural areas and the informal townships in urban areas (e.g. Coetzer 2011).

In the next section, we provide a brief overview of food value chains to provide the necessary context for the analysis that follows. The overview makes specific reference to South Africa, but the salient features of these value chains are similar to those in many other parts of the world, thus providing for a significant degree of applicability of our analysis in other regions. This is followed by a brief discussion of the literature with regard to possible obstacles to firms' adoption of socially embedded approaches to BoP markets, which gives rise to a preliminary model that we sought to refine in our analysis. Following a brief description of our research design, we outline our research findings, focusing on six key categories: the need for learning and innovation; logistical challenges; weakened connection with customers; shortening investor time horizons; and BoP market risks. The subsequent section integrates these findings into a revised model of what impediments companies can expect when considering socially embedded BoP strategies. We identify interrelationships that give rise to primary, linking and resultant constraining factors. We expect an awareness and discussion of these factors to be beneficial for corporate decision-makers designing their BoP strategies, as well as those more broadly concerned with creating more effective and accessible food systems.

Overview of Food Value Chains: Actors and Innovation

The three key stakeholder groups within the BoP food value chain are: producers, consumers and entrepreneurs (such as small retail store owners) (World Economic Forum 2009). Identifying all three of these often overlapping groups is important in the context of the emphasis in the early BoP literature primarily on BoP consumers, as criticized by, for instance, Karnani (2006). First, McKague et al. (2015) suggest that business strategies to engage with people from the BoP go well beyond selling to consumers and include working with the poor as sources of information, as suppliers, as employees and as distributors. Second, BoP writing increasingly pays attention to the co-development of productive innovations through partnerships between businesses, local communities and other actors (Simanis and Hart 2009; Arora and Romijn 2012); hence, groups that often considered as non-traditional stakeholders for established firms in food value chains (Sanchez et al. 2006).

For BoP producers, access to inputs required for agricultural production and access to retailers are the two biggest challenges. These challenges, together with their susceptibility to environmental shocks and disease, compound their reluctance to invest in new ventures. They may also simply lack the necessary skills and expertise to become more entrepreneurial, as Smith and Seawright (2015) argue. Expanding operations is further impeded by BoP producers' lack of access to storage, production and distribution networks (World Economic Forum 2009; Smith and Seawright 2015). BoP consumers face a range of challenges associated with poverty traps, exacerbated by food insecurity and malnutrition (Adato et al. 2006; Dasgupta 1997). These include low and fluctuating incomes and little access to credit, resulting in these consumers generally being very price elastic (World Economic Forum 2009). For BoP entrepreneurs, the previous chapters of this book

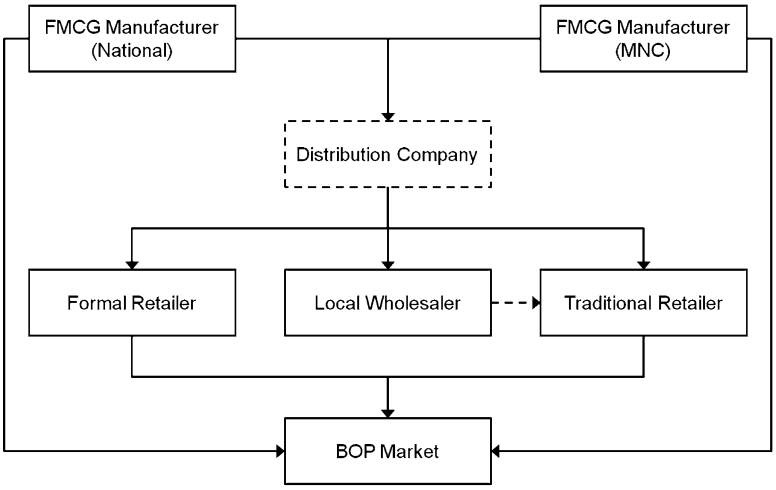

Fig. 6.1 The BoP retail distribution structure (Source: Adapted from Aman and Hopkinson 2010)

(Littlewood and Holt 2015; Smith and Seawright 2015; Balkema and Romijn 2015) have confirmed the lack of training and inaccessibility of finance to grow their business as key challenges (World Economic Forum 2009).

The BoP retail market in South Africa can be outlined with reference to four key categories (Fig. 6.1): manufacturers, local wholesalers, formal retailers and traditional retailers. Traditional retailers are the "small, mainly informal business traders offering basic products" (Tustin and Strydom 2006: 48) to the BoP market. In southern Africa, these are often known as 'spaza shops' – see Fig. 6.2 for an illustration. Formal retailers have begun to branch out beyond their traditional emphasis on middle to upper income, urban stores, with many of them opening stores within BoP communities often using either local franchisees or smaller store formats. Local wholesalers traditionally used to supply bulk products to existing traditional retailers, but many are now opening smaller-unit format stores available directly to the BoP consumer, causing them to be in direct competition with their retailer customers in some areas (Pascarel 2011). Finally, numerous national and internationally-based manufactures who traditionally served the larger, chain-store retailers, are investigating means to extend beyond their traditional manufacturing function and to create direct routes to BoP markets (Pascarel 2011; Hamann et al. 2015).

Given the large, often fragmented nature of BoP markets, companies need to explore the unique challenges and opportunities they face when trying to make their goods available to the consumer (Sanchez et al. 2006).

The first set of opportunities relates to the streamlining of logistics and includes the development of improved warehousing, storage and transport facilities; investment in supporting infrastructure; and the development of central distribution networks. Many of these initiatives are, of course, motivated by business imperatives related to cost reduction and enhanced supply chain control, irrespective of any ambitions in the BoP market. However, it is important to note that such enhanced

Fig. 6.2 Examples of "spaza shops", or traditional, informal retail store BoP communities: (**a**) from outside and (**b**) inside

efficiencies are often considered vital and possibly even a prerequisite for gaining access to BoP markets (World Economic Forum 2009).

Second, there are a range of innovative marketing and operations strategies that have been adopted by companies targeting the BoP. There have been a number of initiatives to create retail clusters in BoP communities. A common location for these is around transport nodes, premised on BoP consumers' and producers' reliance on public transport. Second, companies have been experimenting with a number of formats, such as smaller packaging sizes, selling food baskets with common staple products at a discount, and selling by weight. Another prominent strategy has been for established retailers to develop locally-owned franchise stores, in order to benefit from the local owners' knowledge of and familiarity with the market and community whilst simultaneously transferring skills and expertise to the franchisee (Smith and Seawright 2015).

Finally, another strategy is to leverage existing food value chains (Hamann et al. 2015). Businesses that already serve the needs of the BoP hold invaluable information regarding the market dynamics and have existing infrastructure from

which a new partner can leverage their own capabilities (Prahalad and Hammond 2007). Ideally, such collaboration will create what Prahalad (2010) refers to as co-creation solutions, whereby the access to local knowledge and understanding of available skills help a company build trust within the BoP, whilst ensuring local relevance. The use of product agents and development of local procurement networks are examples of such business strategies (Hamann et al. 2015).

Obstacles to Social Embeddedness: A Preliminary Model

Despite literature's emphasis on the need for social embeddedness for successful BoP strategies, it has also highlighted some of the challenges in this regard. For a start, there is a significant degree of innovation required. BoP markets "are regulated by informal rules, social contracts and shared use of assets, therefore any strategy for entry requires a greater degree of inclusiveness and strategies that may be counterintuitive" (London and Hart 2004: 365) to organizations as they do not conform to the same legal terms of engagement prevalent in more formal markets.

Second, inefficient or non-existent infrastructure in BoP communities can result in internal costs for any firm wanting to enter the market. These costs result in high prices for the goods that are sold in these areas, premised on high transport costs for goods brought from elsewhere. Local farmers' produce is adversely affected as producers cannot access the required agricultural inputs to foster healthy crops. Lack of sufficient education and skills within the BoP also results in costs for any organization relying on the BoP as a source of labour, given the extent of training required (Porter and Kramer 2011).

The third, related point is that logistical and infrastructural constraints are also likely to contribute to greater degrees of unpredictability. This is compounded by the general lack of information and data for corporations on BoP markets. Furthermore, the erratic incomes and high price elasticity of BoP consumers make business models particularly vulnerable to socio-economic shocks, such as recession or social upheaval. Many of the challenges inherent within the BoP market make initiatives risky for companies that operate within the community (World Economic Forum 2009).

Fourth, companies new to the BoP are likely to find it difficult to create a relationship with their new customers due to high institutional, cognitive and cultural distance. As Webb et al. (2010: 562) explain, not only are such companies unfamiliar with local norms and culture, but people in BoP markets are similarly unfamiliar with the institutions that shape the companies. Cultural diversity within BoP markets and differences between the BoP and companies' traditional consumer markets can be significant, especially in a country as culturally and socio-economically diverse as South Africa. This variety within and between markets creates a heightened perception of uncertainty and resultant reluctance to invest in the BoP (Prahalad 2010).

Fifth, Prahalad and Hammond (2007) and Prahalad (2010) identify a number of suggested misconceptions that companies often hold with regard to the BoP population, which are likely to increase their hesitance to engage with the community.

These include: the poor have no money and do not buy nonessential goods; goods are already sold for cheap in BoP areas, so no profit opportunities exist; and servicing BoP communities will be interpreted as exploitation. A resulting posture is to consider BoP markets as a terrain for corporate social responsibility (CSR) initiatives, rather than core business innovation. However, as noted, there are others who argue that some of these points may not be misconceptions, after all (e.g. Karnani 2006; McKague et al. 2015).

Finally, authors have identified the challenge of developing innovative means of targeting the BoP in the context of investors' pressures for short-term returns. Given that the embedding of an organization's operations within the BoP is likely to require substantial investment in human and financial capital and that the returns from such investments are also likely to take time, managers' perceptions of costs and benefits may make such investments unattractive in the face of investor expectations (McFalls 2007).

In light of the barriers to embeddedness discussed above, it is evident that there are both internally and externally driven factors that influence the willingness and ability of organizations to embed themselves within the BoP market. External factors are based on the more tangible challenges associated with access to and lack of infrastructure inherent within BoP markets. Internal factors represent the attitudes, beliefs and motivating factors held by organizations that create misconceptions and perceived misalignment between current practices and those needed to engage with the BoP.

Together, these factors contribute to an overall narrowing of formal organizations' field of vision as illustrated in Fig. 6.3, rendering them unable to appreciate and understand how and why such measures required to engage with the BoP are necessary and contribute to the achievement of their profit imperative (Porter and Kramer 2006).

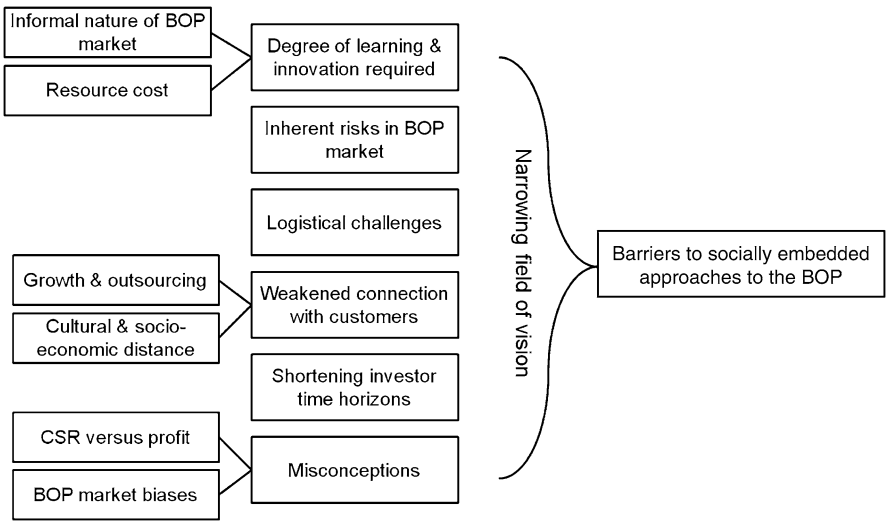

Fig. 6.3 A preliminary model of barriers to socially embedded approaches to the BoP

Research Methodology

A comparative case study methodology was applied (Eisenhardt 1989), with focus on wholesalers, formal retailers and fast-moving consumer goods (FMCG) companies that already have a footprint within the BoP community to gain insights based on their experiences within this market. Five formal retailers are represented in this research and were selected to ensure an array of retail strategies, including franchise models, differentiated store formats, and corporate-owned stores. The population of wholesalers is small in South Africa, so the country's main wholesale company was included in the sample. Three FMCG companies are represented that manufacture and distribute both perishable and non-perishable food goods; one of these is a multinational company, while the two others are predominantly South African in their ownership and operations.

Within the resulting sample of nine companies, 16 interviews were conducted, as outlined in Table 6.1. Primary data was gathered predominantly through conducting semi-structured interviews, guided by a protocol developed on the basis of the preliminary model described above. In addition, secondary data, such as financial reports, company websites, analyst writings, literature and other texts made available to the researchers by the various interviewees were also used.

Research Findings

The following sub-sections consider each of the themes identified in the preliminary model, with the final sub-section discussing implications and developing a revised model.

Table 6.1 Overview of interviewees

Respondent code	Respondent's position	Industry sector	Company code
Respondent 1	Company Director	FMCG	Company A
Respondent 2	Managing Director		
Respondent 3	Marketing Director		
Respondent 4	Company Director	FMCG	Company B
Respondent 5	Brand Manager	FMCG	Company C
Respondent 6	Category Manager		
Respondent 7	Company Director	Retailer	Company D
Respondent 8	Company Director		
Respondent 9	Ex-Managing Director		
Respondent 10	Founder	Retailer	Company E
Respondent 11	Foundation Director	Retailer	Company F
Respondent 12	Regional Manager	Retailer	Company G
Respondent 13	Business Development Manager		
Respondent 14	Company Director		
Respondent 15	Franchisee Director	Retailer	Company H
Respondent 16	Chief Executive	Wholesaler	Company I

Learning and Innovation Requirements

Experience of firms with existing efforts in BoP markets confirms that a high degree of innovation is required to develop viable business models, and that firms are already bringing a significant degree of innovation to bear, which is not always apparent in existing accounts. The evidence also suggests that the informality of the market is only one factor of many identified by respondents that give rise to the need to tailor-make solutions in order to better service the BoP market. The overarching imperative for low prices while maintaining quality (e.g. Anderson and Billou 2007) and the need to trade at high volumes (e.g. World Economic Forum 2009), are confirmed, and a number of responses to these challenges are mentioned below.

Additional features of the BoP market in southern Africa are considered, such as their high degree of geographic dispersion, particularly in rural areas, the high prevalence of illiteracy and innumeracy, and BoP consumers' constant concern to ensure that their limited resources are spent on quality goods.

Low prices on basic consumables and cross-subsidization Retailer employees interviewed agreed that value for money on basic consumables is imperative to attracting BoP consumers into stores and gaining their loyalty. Specific strategies in this regard include a focus on "Known Value Items" (KVI), which are the basic consumables that consumers know the value and cost of, ensuring that at all times KVI prices are competitive. Retailers also cater for "Loss Leaders," certain items sold at or below cost to attract customers to the store. These strategies require some degree of cross-subsidization from other product categories, which are usually non-food items, and in some instances from service departments such as bakeries or delis.

Store models, location, and operation Two of the four retail companies have developed a store model tailored specifically for the BoP. These stores are characterized by a number of attributes that make them cheaper and faster to set up: smaller size; lower store specifications; limited product range; different and stricter cost ratios on aspects such as staffing and security; no or extremely limited service departments to reduce staff and capital equipment costs.

More generally, store location was highlighted by all respondents as critical due to the reliance of BoP customers on public transport. In southern Africa, this translates into an incentive to locate stores at or near nodes for the small buses used most prominently as public transport. But because such locations are also targeted by criminals, security becomes a more significant concern. As poor residents often live far away from their work – a legacy of the apartheid city structure – it was also noted that it is important to extend opening hours (one retailer opens stores every day of the year, from 5 am to 7 pm).

Targeted marketing In the context of traditionally low levels of access to financial services among the BoP population, some retailers have developed targeted marketing strategies focusing on informal savings clubs (called 'stokvels'). They offer such clubs a saving facility that receives deposits and offers discounts and free

delivery services for the goods purchased in-store. Some retailers offer customers free banking services. Money can be deposited at the stores in return for stamps, and can then be redeemed at a later stage in cash or in lieu of groceries.

All retailers interviewed have strategies to facilitate the in-store payment of state social grants. In South Africa, childhood and disability grants and old-age pensions support about a quarter of the total population (Bähre 2011). The strategic importance of this is highlighted when one interviewee explained that his company pays out approximately ZAR180 million per month in grants, with the expectation that some of this is spent in-store, backed up with customer spend analyses. Some of the challenges in this regard include the required cash management and associated security risks.

In terms of advertising, whilst all of the companies advertise on television, a lot more emphasis is placed on cheaper methods such as advertisements in local papers, 'knock and drops', in-store leaflets and loudspeakers advertising prices both outside and within the store. A trend towards in-store promoters is also emerging, with respondents highlighting their benefits in terms of a more direct, personable engagement with consumers and resulting brand connection.

All of the FMCG companies spoke about current initiatives to create smaller packaging options for relevant brands. One respondent described this as a 'top-up solution' for consumers who get paid daily, infrequently or run out of money towards month-end. Apart from the increased cost of packaging, however, a further impediment identified by retailers is that smaller packages are more easily stolen from stores. Conversely, retail interviewees explain how important it is to cater for bulk buying, particularly at month-end for basic consumables.

Sourcing and distribution All interviewees described efforts at local procurement and improving supply chain efficiencies. More fundamentally, one manufacturing company is currently piloting what can be described as an exclusive distributorship initiative, given that they identified that the more traditional route to market strategies are unable to service all stores in South Africa. Selected agents, who stock their products exclusively, will be assigned certain BoP areas in which they are expected to gather orders and deliver products to stores (ranging from counter-service stores to larger, independent retailers). The benefit is that not only will this manufacturer extend the reach of its product range into the previously neglected BoP areas, but exclusive agents will also ensure that these products are merchandised in the right way and at the right price point.

Logistical Challenges

It was widely agreed amongst all interviewees that a number of logistical challenges exist when servicing the BoP community, particularly when servicing the more rural BoP given the scattered nature of the communities and distances that need to

be travelled to reach these customer nodes. Not only does this increase costs but it also leads to stores often being out of stock. Interviewees explained how the movement of bigger retail chain stores into the more remote areas has made access to this market easier in recent years, rather than manufacturers having to rely on solely servicing a number of smaller, independent retailers. It has also had the effect of decreasing the price of goods for these consumers due to the increased competition.

Infrastructure deficits in BoP communities present challenges to all companies in the sample, especially retailers. In particular, limited access to electricity and water services has in many instances prevented or complicated companies' ability to open a store in a BoP community. A limited skills-base in BoP communities was also highlighted by all sample companies. The implications range from difficulties experienced in procuring quality produce from local BoP farmers, to the calibre of staff employed within the stores and the challenges associated with servicing a largely illiterate and innumerate customer.

Customers' logistical challenges also feature prominently, especially the challenges faced to transport purchased goods home, given the reliance on public transport or privately hired vehicles. Some retailers and wholesalers are thus experimenting with delivery services for purchases of a certain size.

BoP Market Risks

Participating interviewees were asked to identify the risks, if any, that they perceive to exist when operating within the BoP community. A vital point not commonly emphasized in literature is safety and security, which was almost always the first risk mentioned by interviewees. Limited policing in BoP communities, especially in the more rural areas, and high volumes of cash handled within the stores makes robberies a greater temptation. Another risk linked to security challenges is the heightened level of shrinkage measured within stores based in BoP areas.

More than one retailer interviewed mentioned how in recent years, competition within the BoP market has increased. New entrants therefore need to be prepared to have the resources and skills necessary to establish themselves within the market, as an uncompetitive or lower quality offering will not succeed given the growing choice of offerings many BoP consumers are beginning to enjoy.

Risks related to political and cultural differences also feature. Multiple respondents explained that cultural differences are extensive in South Africa, and even if a certain offering worked in one BoP community, it does not mean it will be successful in another. Any player in the BoP market also has to be politically astute. Municipalities, councillors, chiefs and traditional leaders hold a lot of power within the community, and one respondent explains that "you need to know how to work with them or run the risk of upsetting highly politicised community heads."

Connecting with BoP Customers

As a result of South African corporations' historical focus on formal markets in urban areas, one of the biggest challenges companies face is to ensure that pertinent employees truly understand the consumers and in doing so, adapt their approach to offering services and consumer engagement activities. Respondents explained how their growing business and lack of office proximity to the BoP market hampers their efforts in remaining connected to the customers they serve. Head-office employees are being stretched and have to split their time and effort across large, very diverse areas.

When asked to describe the nature of the BoP market, one of the most common words was *aspirational*. Given the relatively recent abolishment of apartheid in South Africa, a number of respondents explained how the BoP market has evolved and changed rapidly over this time. This rapid change in customer trends creates an additional challenge for organizations, as they need to stay in touch with their consumers to ensure that their offerings remain relevant.

A large contrast exists between BoP markets of different living standards and for organizations that choose to operate within the BoP, extensive learning is needed to bridge these gaps to fully engage with the consumer. This includes the need to understand the local leadership environment and requires a high degree of cross-cultural communication skills, given the generally modern cultural background of employees within corporate organizations.

Shortening Investor Time Horizons

A number of BoP specific cost implications were discussed by interviewees, over and above those discussed above, such as difficulties in obtaining finance for property developments in BoP areas and higher insurance premiums associated with such stores. All retailers interviewed also spoke of the cost associated with training and up-skilling staff needed to run the stores in BoP areas. Because of the lower staff cost ratios targeted in BoP stores, it paradoxically requires staff to be higher skilled than in other stores.

Some respondents argued that the biggest constraint from a financial perspective was the difficulty of motivating for investments necessary for innovation and infrastructure in BoP communities, considering the uncertainties mentioned above and the low margins to be achieved. However, respondents from companies with a more explicit strategic commitment to the BoP market did not feel financially constrained as a result of the organization's focus on this market and cash reserves available for investment. The caveat, however, was that having the capital to invest in the BoP is one thing, but having the right opportunity and access in terms of land or retail space is the biggest challenge.

As noted by Greef and Mfuni (2010: 84), "having a future orientation and using economic value metrics to make investment decisions" is needed to justify continued investment within the BoP, a sentiment echoed by each interviewee. The benefits from stokvel services, grant payouts and promotional activities are directly measurable. In most instances, however, the return on investment is extremely difficult to measure and this often hampers the company's willingness to invest within the BoP.

Misconceptions

Despite a few of the respondents believing that a lot of the previous misconceptions have been dispelled given the recent growing interest in the BoP market, it was also noted that the cultural and socio-economic distance between corporate employees and BoP consumers makes it difficult to fully understand the BoP.

The misconception mentioned by almost all interviewees was that poor people are willing to accept poor quality products. This perception of quality needs to be delivered not only through the products sold, but in the service afforded to BoP consumers in-store and by employees. The second most frequently mentioned misconception was that BoP consumers do not identify with brands. Because these consumers cannot afford to make the wrong product choice, they rely on a known product that delivers consistent high quality. There are, however, critics to this brand loyalty and quality argument, most notably Karnani (2006), who argues that producers cannot decrease costs in order to make products affordable to the BoP without compromising on quality.

Interviewees also agreed that the poor have spending power and it is just a matter of getting their share of it. Taking this concept further, one interviewee noted that BoP consumers also buy non-essential goods; "The BoP market is aspirational and you have to cater for this."

CSR and BoP

Finally, the relationship between BoP strategies and CSR was explicitly queried. Most interviewees explained that although their CSR and business budgets are handled separately, the organizations consider CSR initiatives as beneficial for the BoP market and their business imperatives through positive brand building. One respondent explains, "The aim is for the company to demonstrate to the community that it cares for the people and obviously by doing that hopefully build up goodwill and trust." Another noted that such CSR initiatives give their staff an opportunity to "engage with those people and understand what kind of micro things are going on in their lives that we can target on a business level."

Hence, the misconception cited by Prahalad and Hammond (2007) that companies believe servicing the BoP requires a charitable approach, was not echoed in any of the interviews. Instead, the overriding approach by most companies is that CSR is seen as a separate vehicle to their business initiatives, handled by dedicated employees with a dedicated budget. However, most were quick to point out that any CSR initiative was only undertaken if it had some kind of alignment to the business imperative.

Discussion and Revised Model

The findings above (summarized in Table 6.2) suggest that the preliminary model, although accurate in the general factors displayed, is simplistic in its representation of the cause-effect relationship between these factors. Despite the high, perhaps surprising level of uniformity across interviewees' perspectives, the interviews uncovered high degrees of complexity in the challenges and opportunities faced by companies targeting BoP markets. The revised model seeks to illustrate the relationships that exist between the identified factors.

Table 6.2 Overview of key findings

Tailored BoP product and service inhibitors:	Degree of learning and innovation required
The need to meet the low price imperative	
The necessity of being able to drive volumes	
The cost of addressing access and connection challenges with the BoP	
Physical barriers to entry include:	Logistical challenges
Transport Logistics: store stock deliveries, especially in rural areas	
Transport Logistics: customers have limited access to private transport	
Availability of suitable retail store locations	
Limited electricity and water supply and access in more rural locations	
Limited skilled staff and local supplier availability in the BoP	
BoP engagement and connection challenges:	Weakened connection with customers
Business expansion and resultant lack of focus on all markets	
Lack of head office proximity to BoP markets	
Constant evolution of the BoP market	
Cultural, political and socio-economic differences and diversity	

(continued)

Table 6.2 (continued)

Factors limiting the extent of investment in the BoP market:	Financial constraints
Meeting investor or shareholder return expectations	
Site development or rental costs for a retail store	
Profit challenges associated with low margin and low price imperative	
Marketing costs due to scatter nature and language diversity within BoP	
Staff training and up skilling costs given lower education standards	
Inherent risks when operating within the BoP market:	BoP market risks
Challenge to overcome safety and security risks	
Challenges in creating brand awareness and loyalty	
Offering a low quality product simply because BoP consumers are poor	
Increasing competition within the BoP market	
Not tailoring the goods and services to suit the BoP market	
Extensive political and cultural differences across BoP markets	
Not achieving the required volumes to create price efficiencies	
How to drive commercial objectives through BoP community upliftment:	Misconceptions: CSR vs profit
Initiatives with a "feel good" factor that still make business sense	
Initiatives that help create brand trust and loyalty	
Partnering with other businesses to share the costs	
Store level initiatives to help stay connected with the community	
Initiatives that encourage in-store purchases	
Implementing initiatives that will create a source of competitive advantage	
Common BoP market biases:	Misconceptions: BoP biases
BoP consumers are willing to accept poor quality	
You only have to offer a cheap price to capture BoP market share	
BoP consumers are not brand loyal	
There is no money to be made in the BoP	
BoP consumers only buy essential goods	
BoP consumers'wants and needs are the same as other LSMs	
BoP is not a sophisticated market	

A key aspect of the revised model is the cause-effect relationship between the factors, whereby the extent of the influence of the preceding, causal factor, has a direct effect on the extent to which the effectual factor is experienced. Thus, given the interconnected nature of the factors, any inhibiting factor can have a compounding effect on a companies' ability to embed themselves within the BoP. These cause-effect links are explored in further detail below.

Logistical Challenges

Logistical challenges are seen as the physical barrier to entry for any company wanting to operate within the BoP. As a result, the extent of these barriers will have a direct effect on the ability of a company to establish and continue an efficient, socially embedded operation within the BoP. Consequently, these challenges underlie and affect all other identified factors, most notably the financial constraints, given the money companies have to invest to overcome some of these physical challenges.

The scattered nature of the rural BoP in particular, and the logistic challenge this presents in servicing the communities effectively, has a direct cause-effect relationship with *BoP Market Risks*. These logistical constraints increase the common risk factors identified by interviewees related specifically to security concerns, the creation of brand awareness and the difficulty in driving the volumes needed to create price efficiencies. Since social embeddedness implies both a geographic and cultural dimension, not only is this proximity in terms of physical location a challenge, but customer connection, cultural knowledge and shared understanding, is equally important to achieving societal and economic value creation (Floysand and Jakobsen 2002). The logistic challenges associated with the scattered and far reaching BoP market within South Africa also directly affect *Weakened Connection with Customers*, as it heightens the difficulty organizations face in trying to stay connected and relevant with their consumer base given their lack of head office proximity and extensive expansion to service the BoP community.

Weakened Connection with Customers

It is argued that the creation of embedded networks within the BoP offers benefits to both the organization and community as a whole through the creation of increased total value both in the economic and social context (Sanchez et al. 2006). In order to do this however, Porter and Kramer (2011) explain that it is critical for an organization to be intimately aware of BoP community's needs and challenges in order to effectively create shared value; hence, the importance of overcoming the challenges associated with staying relevant to the BoP consumer.

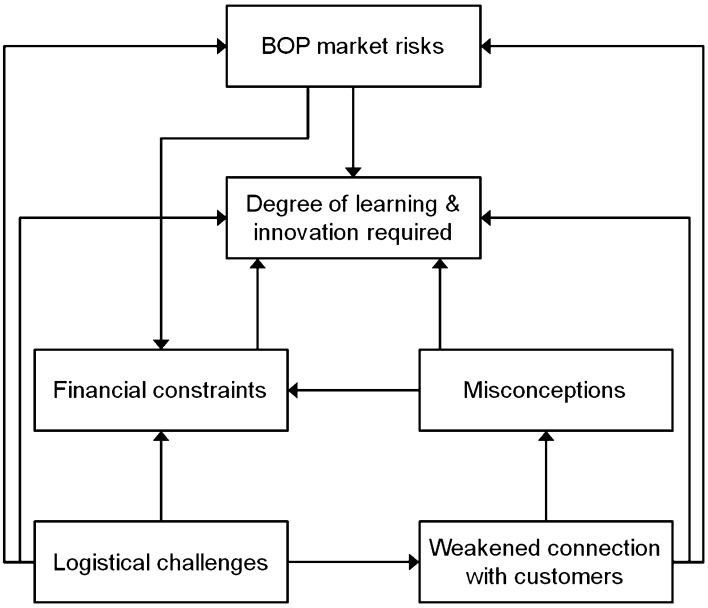

Fig. 6.4 Revised model of limiting factors towards a socially embedded approach to the BoP

As derived from the interviews conducted, organizations within the BoP face challenges to understand and stay connected to this unique customer base, given their lack of business proximity and growth challenges. The cultural, political and socio-economic diversity within different BoP markets and between other, more affluent consumers serviced by these companies also make successful operations difficult. Most notably, this weakened connection amplifies any misconceptions that are held about the BoP market, hence the cause-effect link between these two factors as outlined in Fig. 6.4. Without a thorough and hands-on immersion within the community, as advocated by Porter and Kramer (2011), such biases may never be dispelled. The *BoP Market Risks* associated with doing business within the BoP are also amplified by a weakened connection with the customer base if organizations do not have sufficient information available to them about the market they service to counter some of the risks posed – another cause-effect relationship identified by the researcher.

BoP Market Risks

Given the researchers' focus on organizations operating within the food value chain servicing the BoP in South Africa, it is evident that efficiencies within the chain can often be constrained by a number of factors. The resultant fragmentation of the food value chains in these areas usually makes them "unprofitable and risky for both the

people who depend upon them for survival and companies that could drive improvements" (World Economic Forum 2009: 11). If, however, such risks are addressed and appropriate socially embedded approaches undertaken, substantial opportunities and synergies could be created between private organizations and the BoP communities these food value chains serve.

Interviewees identified a number of risks inherent with operating in the BoP, and also discussed a number of initiatives they have to implement to mitigate the risks imposed on the company. As a result, one of the key effects these risks have on companies wishing to embed themselves within the BoP, is the cost they have to incur to implement initiatives that address and diminish the identified BoP market risks. The investment therefore has a direct effect on the financial constraints facing organizations when operating within the BoP. This cause-effect relationship between *BoP Market Risks* and *Financial Constraints* is reflected in the revised model.

Misconceptions

Whilst interviewees dismissed a number of the commonly held misconceptions that are posited by various authors as inhibiting factors toward socially embedded investments within the BoP, they did acknowledge that these misconceptions can only be dispelled through time and integration in the market itself. The danger for companies that do not explore and dispel the existing misconceptions regarding operating within the BoP is aptly explained by Respondent 7 who highlights the fact that the insufficient investment levels in the BoP is still largely driven by the misconception that "there is no economic benefit, it is too risky and simply too difficult to engage in these areas."

Accordingly, the ability to dismiss such misconceptions and to motivate and foster investment in the BoP market requires substantial efforts in terms of time, money and education for any organization. Companies need to engage with the community and educate themselves about the complex and different dynamic that really exists through offering goods and services to the community. This engagement has a direct cause-effect link with the *Financial Constraints* applicable to companies operating within, or considering entering the BoP market. Competitive advantage can be created by successfully engaging with the BoP market, understanding the wants and needs of BoP consumers and gaining their trust through ensuring that the right goods and services are offered to the community by the company. Organizations will then be in a position to expand their offerings into these communities as technology, infrastructure, access and competition evolve (Vachani and Craig Smith 2008).

Financial Constraints

Interviewees mentioned a number of financial constraints beyond the pressure to meet shareholder or investor expectations as originally identified in the preliminary model. This widened the scope to incorporate the financial constraints that exist to

meet all stakeholder expectations, ranging from company investors to final consumers. As a result, financial constraints experienced by companies are exacerbated by the four factors already discussed above. Overcoming the inhibiting effect of these factors on the ability to establish embedded initiatives within the BoP, requires a degree of investment. Accordingly, it is one of the main driving factors that affect an organization's ability to operate efficiently in the BoP market.

The BoP is a largely untapped market and, coupled with growing competition intensity in urban areas, opportunities exist for companies that are willing to take a long term strategic view to focus on new, non-traditional markets (Tustin and Strydom 2006). Food companies need to invest in creative solutions that address some of the factors that inhibit socially embedded initiatives to benefit from sustainable competitive advantage (Vachani and Craig Smith 2008).

Degree of Learning and Innovation Required

As the researchers developed an understanding of the relationship between the factors included in the preliminary model, it became increasingly apparent that the success of a company's BoP approach hinges on the actual offering available to the consumer. In turn, each of the five factors discussed above influence to varying degrees the extent to which an organization can tailor its goods and services to suit the BoP market; whether it is via the store format and service offering, the actual product itself, or the promotional campaign associated with the brand. The fundamentals have to be in place: availability, affordability, acceptability and awareness (Anderson and Billou 2007).

As evidenced through the interrelationships represented in Fig. 6.4, each of the five factors have either a direct or an indirect influence on the *Degree of Innovation and Learning Required*, meaning that the ability for companies to learn and innovate is key to successfully deliver socially embedded initiatives is key. Conversely, it can act as a significant impediment to the extent a company is able to embed itself within the BoP.

A Cause-Effect Hierarchy of Inhibiting Factors

The revised model indicates a more circular relationship between the factors identified in the preliminary model as a result of a number of cause-effect relationships detailed above. Logistical challenges act as the key driver of the various inhibiting factors identified that when compounded together, make the extent to which companies have to innovate and adapt to undertake socially embedded approaches in the BoP fundamentally challenging. This more circular representation of the inhibiting factors towards social embeddedness embodies the view of General Electric Chief Executive Rumelt as quoted by Greef and Mfuni (2010);

> Strategy is a cohesive response to a challenge. A real strategy is neither a document nor a forecast but rather an overall approach based on diagnosis of a challenge. The most important element of a strategy is a coherent view point about the forces at work, not a plan (p. 84).

The forces at work with regard to a socially embedded approach within the BoP by the South African food industry are represented in the revised model above.

In addition to logical challenges, each of the five factors to varying degrees has either a direct or indirect influence over the degree of innovation and learning required. This, in turn, acts as a significant impediment to the extent a company is willing and able to embed itself within the BoP.

Given these cause-effect relationships, the six factors can be separated into what can be termed as primary, linked or resultant inhibitors, depending on the degree to which each factor has a more causal or effectual relationship with each other (Fig. 6.5). The primary inhibitor to socially embedded approaches within the BoP is the logistical challenge premised on limited physical and social infrastructure in BoP communities, since these barriers to entry have an effect on the extent to which all other identified factors are experienced and overcome.

Risks specific to the BoP, difficulties in connecting with BoP customers, and misconceptions are largely linked to the fundamental logistical and infrastructural limitations. They, in turn, contribute to financial constraints, including the development of a viable business model that is compelling to investors. These various factors give rise to the high levels of learning and innovation required by companies entering or expanding within the BoP market. While intuitive, these interactions are not trivial, because it is important for managers to appreciate the likely knock-on effects of particular factors or initiatives within the broader framework of BoP constraints and challenges.

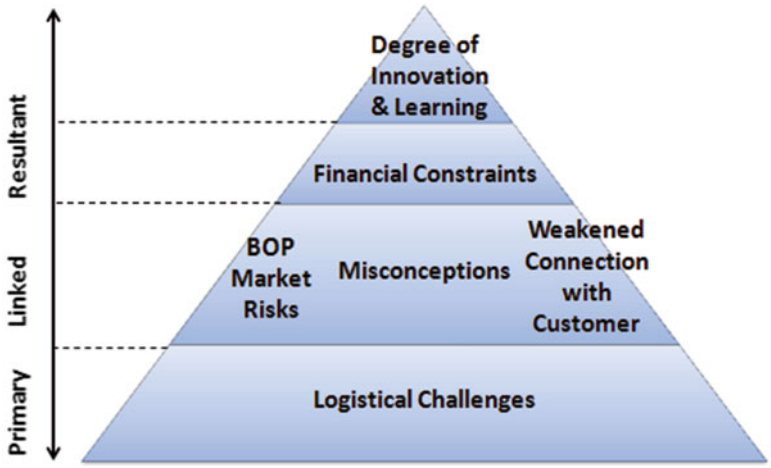

Fig. 6.5 Primary, linked and resultant inhibiting factors to socially embedded approaches with the BoP market in South Africa

Conclusions and Implications for Practice

The discussion surrounding the notion of corporate BoP strategies has been characterized by important tensions. Proponents argue that BoP strategies can contribute to companies' incomes and competitive advantage, while simultaneously enhancing poor people's livelihoods (Prahalad and Hammond 2007). Others suggest that such hopes are inflated and that the outcomes for both companies and the BoP are risky or even counterproductive (Karnani 2006).

This chapter reinforced the view that initial models of BoP strategies underplayed the complexities involved in developing and implementing BoP strategies. A number of constraints faced by companies' BoP efforts were identified, the detail and implications of which are often given relatively little attention, such as challenges related to crime, low levels of education, and the striking cultural and socio-economic distance between corporate employees and BoP citizens. Some of these are related to South Africa's particular historical, political and socio-economic context, highlighting the need to understand national and geographic circumstances in all approaches to the BoP. A set of inter-relationships between these constraining factors were also identified, which ought to help managers develop a set of priorities with regard to strategic actions and timeframes.

At the same time, the chapter shows that a significant proportion of companies within South Africa's food industry are already involved in committed efforts to develop and implement BoP business models and appropriate innovations. Indeed, a prominent business risk identified, but not commonly discussed in the literature, is that competition is already significant and increasing in the BoP market. It is thus apparent that the BoP discussion is moving on, at least among business decision-makers, from the question of whether there are business opportunities at the BoP, to the question of how best to identify and develop them.

This chapter laid the foundations for an increased awareness and better understanding of the main factors and their relationships that may inhibit a socially embedded approach to BoP markets. Managers seeking to engage in the BoP, especially if they are new to the BoP, can take this as a point of departure to plan and design their business approaches. Particularly the differentiation between primary, linked and resultant inhibitors serves as a guideline that can be followed in a near step-wise fashion (see Fig. 6.5). Many of the factors discussed may seem intuitive. But they are often underestimated, as in the case of logistical challenges, or overlooked, such as challenges related to the gap between highly diverse BoP markets and traditional consumer markets of large companies. These different factors can easily create knock-on effects if those designing BoP strategies are not aware of them. Misconceptions about the opportunities and challenges of BoP markets further constrain moving the debate towards pro-active, socially embedded approaches to BoP markets. The factors identified in this chapter therefore help business with the question of how to better identify and exploit BoP market opportunities.

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Chapter 7
An Integrated Approach to Poverty Alleviation: Roles of the Private Sector, Government and Civil Society

Kevin McKague, David Wheeler, and Aneel Karnani

Abstract In this chapter we offer an integrated framework for poverty alleviation that maps the roles of private sector, government and civil society organizations. For private sector enterprises and social entrepreneurs, strategies to engage the poor go well beyond selling to consumers and include working with the poor as valuable sources of information, as producers and suppliers, as employees and as distributors. We argue that the greatest impact that companies or social enterprises can have in reducing poverty is to create productive jobs for low-income individuals. We also emphasize the important role for local small and medium-sized enterprises (SMEs) to generate employment. Our integrated model also seeks to bring the essential role of government into the conversation on business and poverty alleviation. We outline government's role in providing public services, infrastructure, regulation and facilitating job creation as essential for market-based approaches to poverty alleviation. Civil society can play an important role as a catalyst and watchdog to ensure that both the private sector and governments live up to societal regulations and expectations. With an understanding of the various roles and approaches of societal actors, social entrepreneurs and their partners can make realistic progress towards the complex tasks of social and environmental innovation while genuinely addressing poverty alleviation and bring us closer to a globally inclusive market system that creates value for all.

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Introduction

In high-income countries, decades of sustained market-based private sector-led economic growth underpinned by enabling social and political institutions has created levels of wealth and standards of living unprecedented in history (Fligstein 2001). Although many middle income developing countries around the world are seeing their national social and economic indicators moving in positive directions, other "bottom billion" least developed countries characterized by poverty traps and market failures have struggled in recent decades (Collier 2007). Despite enormous investment in traditional approaches to reduce poverty such as government expenditures, foreign aid and private philanthropy, the persistence of over two billion people living on under US$2/day suggests the need for considering alternative approaches to the challenge of poverty alleviation.

In the 1990s with the end of Apartheid and the fall of the Berlin Wall removing constraining political forces on many developing country economies, the private sector and markets began to play a greater role in economic growth throughout much of the developing world (McKague 2011; Wheeler and McKague 2002; Wheeler et al. 2005). In the late 1990s, after 50 years confined to political science, development economics and development studies, the poverty alleviation conversation was finally expanded to include the organizational level of analysis and the role of entrepreneurs and private sector actors and their partners. This movement piqued the interest of many managers, social and environmental entrepreneurs, policy makers, researchers, consultants, and civil society organizations. The early work of Prahalad and Hart (2002) focused attention on how multinational companies could engage the poor as consumers with little consideration for the role of governments, small and medium sized enterprises or civil society. In contrast, the purpose of this chapter is to offer an integrated framework for the roles of the private sector, government and civil society in contributing to poverty alleviation and to consider how the poor can be engaged in value chains beyond the role of consumers.

The integrated framework that we offer shows that the private sector and social enterprises have an essential role in poverty alleviation which ranges from engaging the poor as sources of information, as suppliers, as employees and as distributors as well as potential customers. We argue that the greatest contribution to poverty alleviation comes from engaging the poor as producers and as employees of local small and medium sized enterprises because they typically employ the largest number of people and have the greatest potential to employ lower-skilled low-income workers and be geographically distributed within a country. If companies do choose to engage the poor as consumers, our framework includes a comprehensive range of strategies that the private sector can use to develop products and services for low-income individuals. The product development strategies most commonly emphasized by base of the pyramid researchers are identified in this framework; however, we argue that alternative product development strategies that have received little or no attention in the existing literature pose greater opportunities for cost savings and livelihood improvement. In offering our comprehensive framework, we hope to

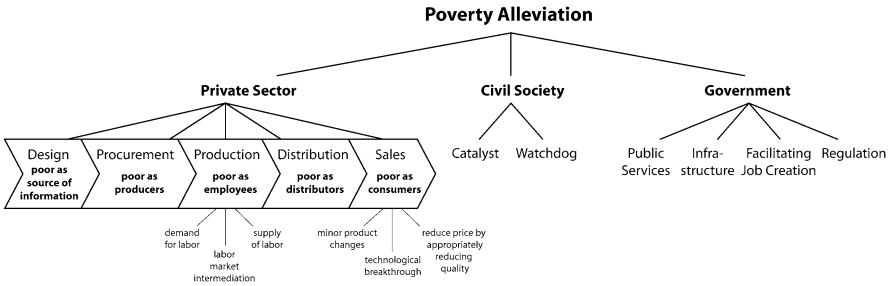

Fig. 7.1 Integrated framework for the roles of societal actors in poverty alleviation

focus on a wider range of options for the private sector and social entrepreneurs to contribute to poverty alleviation.

Our integrated framework also seeks to re-legitimate the role of governments in addressing market failures, externalities and other potential downsides of private sector activity which can undermine contributions to development and poverty alleviation. We also see an important role for civil society organizations as watchdogs and catalysts for policy reform. Figure 7.1 maps out the roles of the private sector, government and civil society in advancing an integrated strategy for poverty alleviation.

The structure of the chapter follows the framework in Fig. 7.1. In the next sections, we will expand on each aspect of the framework's typology, identifying the integrated roles that the private sector and social entrepreneurs – as well as government and civil society – can play in global poverty alleviation.

The Role of the Private Sector and Social Entrepreneurs

The means by which societies have organized the production and distribution of their material sustenance has varied across time and across regions of the world (Aspers 2011). Since production and exchange between communities has been with us for millennia, it would be easy to conclude that the world's current market-based system of production and distribution of goods and services has been with us for at least as long. However, the markets of the past should not be confused with the presence of a modern private sector-led, market-based society (Heilbroner and Milberg 2008). The distinction is that contemporary market-based societies involve a widespread exchange between buyers and sellers in which competitive markets: (a) provide the principle impetus for production; (b) primarily determine the allocation of resources between different uses via price signals; and (c) determine the distribution of goods between individuals and classes of society (Aspers 2011; Swedberg 1994, 2005). Ancient markets, as widespread as they were, did not provide the main drivers for organizing economic production and distribution. Instead, production in these societies was driven by command (imposed hierarchical authority) or tradition

(long standing practices passed down through the generations that maintained social stability and continuity, usually with little change between generations) (Heilbroner and Milberg 2008).

Modern market-based economies have co-evolved with their supporting social and political institutions over the last several generations in various regions of the world (North 1981). Through trial and error and through process of social transformation, private sector-led, market-based economies have been relatively successful at mobilizing human energy for productive purposes. Since the end of the Cold War, market-based systems of production and distribution have come to be the most predominant mode of organizing the material needs of societies worldwide (Heilbroner and Milberg 2008). Within these societies, private sector organizations have come to play the leading role in production and exchange (UNDP 2004). Following the evolution of market-based societies, it is clear that social and political actors in society have an important role to play in maintaining and adapting this system of production where private sector actors play a leading role (Fligstein 2001; De Soto 2000). Although markets and private sector organizations have been a very efficient medium for production, they are not inherently equitable in the distribution of wealth that is created. The rise in prominence of social enterprise and corporate social responsibility in recent years has been a response to achieving a greater balance between efficiency and equity in the private-sector market.

Although private sector actors (large and small, local and international) and social entrepreneurs are increasingly being asked to respond to issues of global poverty (Margolis and Walsh 2003; McKague et al. 2004; WBCSD) and make markets more inclusive (G20 2012; McKague et al. 2011; UNDP 2008; World Economic Forum 2009), few integrated frameworks have been developed in the academic or practitioner literature to guide researchers and managers in understanding the strategies that enterprises can pursue. Earlier work by Nelson (1998) developed a typology of three corporate spheres of influence relating to the private sector's role as partners in development which included core business activities, social investment and philanthropy, and engagement in policy dialogue. Another organizing framework was developed by Kolk et al. (2010) according to how organizations engage with the poor (co-inventors or recipients) and the position of the poor in the value network (consumers or entrepreneurs). However, neither of these two frameworks includes the role of the poor as producers or the role of government or civil society actors in the creation and distribution of value. Other frameworks by Munir et al. (2010) and Gradl and Knobloch (2010) incorporate a role for government, but remain focused on large multinational private sector organizations. None of the existing frameworks provides a detailed breakdown of the roles that the private sector, government and civil society can play in an integrated approach to poverty alleviation or a comprehensive view of the way the poor can be included in a commercial value chain.

The framework that we propose aims to address the role of the private sector in poverty alleviation in low-income market contexts, where poverty challenges are particularly persistent and the functioning of markets and institutions of governance are often limited. Our framework goes beyond the usual binary distinctions between

the poor as producers or consumers. Instead we identify more nuanced distinctions within these categories through utilizing a value chain approach breaking down the creation and distribution of value into five typical components including designing, sourcing, production, distribution and sales. These components of a value chain illustrate how enterprises can correspondingly engage the poor as a source of information, as producers and suppliers of inputs, as employees, as distributors and as consumers. We consider each of these strategies for engaging the poor in turn.

The Poor as Sources of Information

Low-income markets are often extremely challenging contexts in which to do business given limited incomes, lower levels of literacy and capacity, greater aversion to risks, market and governance failures and limited infrastructure. In these contexts, information from low-income individuals can help enterprises more effectively develop their business models, sourcing and employment strategies, products and processes to benefit the poor and the enterprise. For example, Bata Shoes in Bangladesh was considering selling a low-cost durable shoe in rural areas and had assumed that the model developed for poor urban customers, which had a soft sole, would be appropriate. However, information from poor rural farmers revealed a strong preference for hard soles which were more suitable for working in fields (McKague and Tinsley 2012). Similarly, when the Indian company Godrej wanted to develop an affordable refrigerator for low-income households they conducted numerous interviews and focus groups in partnership with local non-governmental organizations to determine the needs and preferences of village women.

The Poor as Producers and Input Suppliers

In certain sectors such as agriculture, food products and small scale manufacturing, smallholder farmers and poor producers comprise an important source of inputs for companies, cooperatives and commodity value chains (McKague and Oliver 2012; Balkema and Romijn 2015; Hamann et al. 2015). Large processors and manufacturers often need high quality inputs reliably produced at reasonable cost and it often makes strategic sense for them to work with farmers and producers to increase the quality and quantity of their crops, livestock and manufactures. This can benefit the large processors as well as poor producers. For example, in order to produce beer from local sorghum in Uganda, Nile Breweries collaborated with the government's Plan for the Modernization of Agriculture initiative and worked with small farmers to increase production. Nile Breweries also offered a guaranteed purchase price for sorghum to reduce the risks of normally volatile commodity prices. In return for the company's investments in agriculture, the Ugandan government reduced the tax rate on beer produced from local sorghum, further increasing demand for the product

and increasing farmer incomes. Nile Breweries and the Ugandan government are now working together to explore whether farmers in certain higher-elevation areas of the country could successfully grow barley for beer manufacturing, which would introduce a new crop to the country (Kapstein et al. 2009). In a variety of different ways, other companies are also working with smallholder farmers to improve productivity, quality, reliability and farmer incomes including Cadbury's work with poor coca producers in Ghana, SC Johnson's work with pyrethrum farmers in Kenya and Coca-Cola's work with sugar producers in Zambia.

The Poor as Employees

Being employed in a job is the most beneficial way that the poor can be engaged by the private sector to reduce poverty (Karnani 2011). Illuminating insights on how the poor themselves value private sector employment opportunities can be found in the World Bank's landmark research series Voices of the Poor (Narayan et al. 2000). The series is based on an unprecedented research effort to gather the views and experiences of poverty from the perspectives of more than 60,000 low-income men and women from 60 countries around the world. According to the research, the very poor highly value the employment opportunities provided by private enterprises. The International Labour Organization concurs, stating: "Nothing is more fundamental to poverty reduction than employment" (ILO 2002: 2). The majority of the jobs in least developed countries are to be found and created by local small and medium sized enterprises (ILO 2005). Globally, the majority of productive, quality employment is generated by SMEs, as opposed to large companies, the public sector or the civil society sector (WBCSD 2007). In countries with gross national products below $500 per person, SMEs account for 70 % of total employment; in middle income countries, SMEs account for 95 % of total employment (Fan et al. 2005). SMEs have the greatest potential to utilize productivity and value adding technologies while simultaneously providing job opportunities for the poor (Karnani 2011). Jobs not only offer the poor a secure income, but can also enhance individual and community well-being through skill development and empowerment. Reducing poverty through employment for the poor requires simultaneous attention to three major factors: increasing the demand for the labour of the poor, increasing the supply of labour through training and making the labour market more efficient.

Creating Demand for Jobs

Firstly, the generation of new jobs that the poor can hold includes support for developing country SMEs, which can harness productivity and economies of scale. In Mozambique for example, the revitalization of the country's cashew industry has been achieved not through large capital and management intensive processing factories, but by dozens of smaller locally-managed small and medium sized processing facilities that are located close to cashew farming areas (Karnani 2009). This

arrangement has allowed efficiencies while also distributing local employment in various regions of the country, benefiting workers as well as cashew farmers. Jobs for the poor in SMEs can still remain competitive if they are in labour intensive industries where scale economies are not so significant and where customization, flexibility and a focus on customer needs are important. In addition, business model innovations, like outsourcing tasks that can be done by the poor, can be part of the solution. For example, organizations like Samasource operating in Kenya and Uganda (Gino and Staats 2011) and Digital Divide Data operating in Kenya (Leonard et al. 2007) facilitate the outsourcing of computer-based digital work to disadvantaged youth and disabled individuals via the internet.

Creating Supply of Jobs

Secondly, increasing the supply of labour by low-income individuals can be achieved through appropriate, low cost, market driven skills training. Although resourceful and resilient, in most cases the poor will have limited skills and education (Viswanathan and Rosa 2010). Training to increase the employability of the poor can usually be distinguished from the focus on general education by being more market-driven and directly connected to needed job skills. Often, there is a disconnect between formal education and the job-oriented training needs of the poor. Different marginalized individuals – the poor, women, youth, the disabled, ex-combatants, minorities – may require different vocational and inter-personal skills upgrading to bridge the skills gap needed for various jobs. For example, the well-known example of CIDA City Campus in South Africa offers low-cost education to lower-income and disadvantaged students through an innovative business model where students work for the school to offset tuition costs or work for digital work outsourcing organizations like Samasource (Raufflet 2009). In addition, the Go for the Gold initiative in South Africa, a partnership between the Western Cape Education Department and local construction companies, combines work experience and scholarships with the traditional educational programme.

Making the Labour Market More Efficient

Thirdly, facilitating opportunities for the poor as employees includes job matching, brokering, placement, and generally making labour markets more efficient. Often there is a market failure between the supply and demand for jobs and for information about job opportunities and skills upgrading options and other labour market issues. For example, South Africa's Fundi Network (formerly Men on the Side of the Road) is focused on addressing the country's very high unemployment rate by making the informal employment market more efficient. Every day, over 100,000 men gather at the sides of major intersections throughout South Africa hoping to get picked up for some form of casual day labour. Fundi (meaning someone with skill or expertise, usually relating to trades) has developed a number of key initiatives that lead to increased employment including organizing the pickup sites, building

the image, credibility and capacity of workers, promoting customer service and creating trusting relationships between workers and potential employers.

The Poor as Distributors

The inclusion of the poor as distributors in value chains can often have an important impact on poverty alleviation. For example, in 2003, Unilever and Oxfam conducted an in-depth study to assess the company's impact on low-income individuals that were engaged in the company's value chain in Indonesia. Unilever has a large presence in Indonesia, employing 5,000 people directly and sourcing from many input suppliers. Surprisingly, however, the study found that the company's distribution chain had a significant economic impact in the country, employing the full-time equivalent of 300,000 people including retailers, small shop owners and street vendors (Clay 2005).

Many individuals in low-income countries live in rural or remote areas or in slums beyond the 'last mile' of many formal commercial distribution networks. The poor can work as sales agent distributors for many organizations seeking to sell socially beneficial goods and other products to low-income communities (see also Bland and Hamann 2015). For example, in Sierra Leone, several local small and medium sized enterprises in the bakery, ice, cosmetics and mobile air time sectors are working with a local non-governmental organization, the International Rescue Committee, to use disadvantaged youth as distributors for these products in areas currently not served by existing distribution networks (Habib et al. 2010).

Large companies can also engage the poor as distributors. For example, Coca-Cola has been working with its largest bottler in East and Southern Africa to develop manual distribution centres where small distributors use handcarts to transport Coca-Cola products to shops not easily accessed by trucks. Since the first pilot in 1999, 2,200 jobs have been created for the owners of manual distribution centres and over 12,000 jobs have been created for handcart transporters (Jenkins and Ishikawa 2010). In these ways the poor can be included as distributors in a variety of value chains.

The Poor as Consumers

Although we argue that the greatest impact on poverty alleviation comes from private sector actors engaging the poor as producers and employees, therefore raising real incomes earned, businesses can also engage the poor as consumers. If private enterprise and social entrepreneurs, working in partnership with government and civil society organizations, provide employment opportunities that can increase income levels among the world's poor, increases in consumption by the poor can follow.

As Jaiswal (2008) has noted, any significant commercial opportunities that exist for the mainstream private sector are likely to reside at the middle of the pyramid,

rather than at the very bottom. And reflecting on experiences of companies experimenting with new base of the pyramid (BoP) ventures, Hart (2008: x) has concurred that "most 'BoP business initiatives' do not really serve the true 'base of the pyramid'. Instead, most represent 'down-market' moves into incrementally lower income classes with existing products at lower price points." Although a few celebrated examples of market opportunities among the true base of the pyramid exist, we argue that BoP literature overestimates the potential to make a fortune by targeting the world's poorest people and may inadvertently distract policy makers and entrepreneurs from more effective strategies.

However, in instances where the private sector is seeking to engage the poor as potential consumers, poverty alleviating impacts will come from instances of increasing access and where the prices of goods and services can be lowered. Increasing access to goods and services is important. However, for the very poor to take advantage of increased access, the goods and services must be affordable to them. We see three major options for companies that can reduce costs for the poor: making minor changes to products and services; taking advantage of technological breakthroughs; or reducing price by appropriately reducing quality or features. Each option is explored in turn.

Minor Product Changes

Simanis and Hart (2008) have noted that many companies attempt to sell to the poor by making 'structural' changes (such as packaging in single serving sachets or providing credit to make the goods or services more affordable) to products that are sold to middle or upper income markets. Arguably, although this may make consumption more accessible (especially to middle of the pyramid consumers) this approach creates relatively little increased economic value for the poor as there is no decrease in real prices (in fact, the price of the items may be higher when buying in smaller packages rather than in bulk or buying on credit rather than in cash). Therefore, no significant decrease in cost is achieved for consumers and no increase in real incomes is realized for poor consumers unless the product enhances their economic or educational opportunities. It can be profitable for companies to expand their markets among the emerging middle class, however, as this is indeed a growing market.

Technological Breakthrough

If engaging the poor as consumers, major technological advances that allow for a dramatic reduction in cost while maintaining or improving quality can make products or services affordable for the poor (Hart and Christensen 2002). The best example of this is the mobile phone revolution that has spread throughout the developing world (Etzo and Collender 2010). This is wonderful for business and consumers when it happens as it allows for reduced prices for consumers and increased market

share and incomes for companies. Unfortunately, such dramatic technological changes are rare, especially in the context of products purchased by the poor. Usually these breakthroughs have been limited to the information and communication technologies sector including mobile phones, computers and electronic products. For its rarity, the BoP literature seems to disproportionately emphasize the importance of radical technological breakthroughs to reach large new markets. We agree that this is important in a limited number of instances, but that an alternative strategy strongly shows more promise for poverty alleviation. The third and more promising way that the private sector can engage the poor as consumers is by reducing price by appropriately reducing quality and features.

Reducing Price by Appropriately Reducing Quality

A more common and promising option for engaging the poor as consumers is to reduce the cost of a product or service by appropriately reducing quality or features while maintaining safety standards. Offering less expensive goods to the poor has the potential to reduce their costs and leave them with more money to spend on other household purchases. The challenge is to reduce quality and cost in such a way as to be a more attractive value proposition to poor consumers. Redesigning products and services according to the cost/quality trade-off can have significant positive impacts on poor consumers.

A classic example of this strategy is the story of the low-priced detergent introduced by Nirma in India. This has become a classic story, although in the BoP literature it is told primarily from the perspective Unilever's Indian subsidiary, Hindustan Lever. Nirma was founded in 1969 by Indian entrepreneur Karsanbhai Patel who began selling inexpensive detergent powder he had formulated in his kitchen. Nirma's product was based on a simple process and contained no perfumes, softener or whitener, and was therefore also somewhat harsher and not as pleasant smelling. Although the quality was inferior to its competitor product Surf, which was made by Hindustan Lever, Nirma sold for 1/3 of the price of Surf. Because of the effective cost/quality tradeoff, Nirma quickly became the market leader with 62 % market share before Hindustan Lever responded by developing its own lower quality and lower cost offering (Karnani 2007).

In many instances, reducing cost while significantly reducing quality does not require breakthrough technological innovations (as Karsanbhai Patel working in his kitchen illustrates). Some of the BoP advocates' insistence on not lowering quality standards, although framed as potentially being respectful to the poor (Prahalad 2005), may actually be hindering the type of beneficial cost/quality trade-offs that the Nirma example illustrates. Quality is a relative concept, and when people earn only a dollar or two a day the price of a product can make the crucial difference between being able to affordably consume it or not.

The Role of Government

Some approaches and frameworks on business and poverty alleviation are silent on the role of government and, in some cases, eschew government engagement all together. This is unrealistic and overlooks that markets and private sector-led production is inseparably embedded in the social and political institutions of society (Biggart and Delbridge 2004; Biggart and Beamish 2003). In some cases, inappropriate public policy or government interference can be, and in many countries has been, antithetical to the interests of the poor and indeed the role of the market system in organizing production and distribution of goods and services in a society (Datta-Chaudhuri 1990). But the failures of both centrally-planned economies and of unfettered free markets in sustainably raising levels of well-being do not imply that business alone can solve the problem of poverty. The integrated framework that we have put forward here envisages a key role for government policy, institutions and practices, even though governments may be weak. In the long term, markets and economies cannot function efficiently and in ways that will include and benefit the poor without governments living up to their roles described below. Governance institutions that are missing or weak should be strengthened rather than ignored. This is true in industrialized economies, as witnessed by the recent economic recession, and even more so in the lowest income countries. Governments play a key role in facilitating the private sector – including social entrepreneurs – to address poverty alleviation by focusing on four main areas of responsibility: infrastructure, providing public services, facilitating job creation, and regulating markets.

Infrastructure

Firstly, governments play a key role in helping facilitate private sector involvement in poverty alleviation by ensuring that public infrastructure such as roads and transport systems, communication systems, electricity, water and sanitation systems are established and maintained. Thus China's higher investment in infrastructure in comparison with Africa has directly contributed to lower transaction costs and the creation of low-skilled but productive jobs even though the cost of labour is lower in certain areas of Africa (Limão and Venables 2001). Governments can also provide incentives for social enterprises and companies to meet the needs for electricity and water infrastructure such as in the electrification of parts of rural Mali by the French company EDF (Gaye 2008) or in the Ugandan government's change in regulations to allow the emergence of the Association of Private Water Operators in the country (Karugu and Kanyagia 2008).

Public Services

Secondly, governments can help private sector actors reduce poverty by taking responsibility for the provision of basic public services such as education and public health. Low levels of education, lack of access to training opportunities and endemic poor health severely constrain employability, and no amount of well-intended corporate philanthropy or civil society activity can begin to address the need for broad provision of basic public services. Providing basic public services not only can help the lives of the poor, but makes opportunities for social enterprises and companies more attractive by reducing costs (of training for example).

Facilitating Job Creation

Thirdly, governments can assist the private sector in facilitating job creation by reducing the costs of doing business. The World Bank has measured key indicators for starting a business, employing workers, registering property, enforcing contracts and other ease of doing business dimensions and has ranked 178 countries by these criteria. This allows the effects of public policy reforms to be measured; for example, between 2005 and 2006, Côte d'Ivoire reduced the time to register business property from 397 to 32 days (World Bank 2007). Reducing theses costs for business increases the likelihood of investment and of ventures that can increase their engagement of the poor all along the value chain.

Regulation

Markets fail because of information asymmetries (such as ill-informed consumers) and externalities (such as environmental pollution and extremely unequal distribution of wealth) (Stiglitz 2009). In these cases, governments must play a role in defining permissible behaviour through incentives, regulation, and standards (Kydd and Dorward 2004). Governments need to regulate markets to avoid market failures and abuses of consumer rights, threats to public safety, and environmental damage and other externalities. The state has an essential role to play in redistributing wealth for the common good through sound fiscal and social policies and ensuring that private sector activity is incentivized to include and benefit the poor.

In summary, government policies, institutions and regulations make an important difference in successfully enabling the private sector to create self-reinforcing cycles of productivity and employment growth for the poor. Poor workers and entrepreneurs will have great difficulty escaping poverty traps unless the government can live up to its role in facilitating job creation, providing infrastructure, providing public services and guaranteeing appropriate regulation.

The Role of Civil Society

Two of the most important roles for the civil society sector to complement the role of the private sector in poverty alleviation are to act as a catalyst for positive change and as an advocate or watchdog to protect the poor. By civil society organizations we include local and international non-governmental organizations concerned with poverty alleviation and development.

In practice, the strength of the civil society sector in developing countries can vary according to a number of factors, one of which is the nature and strength of the state itself. An authoritarian state many be motivated to undermine efforts by civil society to hold it or the private sector accountable. A weak state that is nevertheless a relatively stable one, such as Bangladesh, for example, creates a vacuum in the provision of social services, which civil society organizations can fill (Sarker and Rahman 2006). In a number of instances, however, civil society organizations are best suited to support the role of the private sector in poverty alleviation by playing the roles of catalyst and watchdog.

Catalyst

As a catalyst for change, civil society organizations can work with the private sector, social entrepreneurs and low-income communities on various development issues (see, for instance, Hamann et al. 2015 and Kuenkel and Aitken 2015). Civil society organizations can also play an important role in partnering with private sector organizations on initiatives that will benefit low-income communities (Nelson and Zadek 2000; Selsky and Parker 2005; Perez-Aleman and Sandilands 2008; Gradl et al. 2010). Civil society organizations often have the knowledge, legitimacy and understanding of local needs that can help make their activities or their partnerships with other organizations work (Austin 2006; Seelos and Mair 2005). In addition, civil society organizations are sometimes contracted by governments to deliver basic services such as health and education. However, civil society organizations often lack the scale to reach the entire population that needs to be served, and may inadvertently reduce pressure on the government to ensure that everyone, including the poor, benefit from basic infrastructure and services. Similarly, civil society organizations are unlikely to reach the economies of scale needed to provide productive employment for a large number of poor people, either directly or through microenterprise development (Karnani 2011).

Watchdog

Equally important is the role that civil society organizations play as advocates and watchdogs to raise public awareness when the government or private sector organizations are not living up to their legal and normative expectations. Civil society

organizations can monitor the actions of the private sector and government and advocate for enforcement of the existing rules or a change in the status quo.

Civil society organizations, therefore, as major social actors along with governments and the private sector have important roles to play in contributing to poverty alleviation.

Conclusions and Implications for Practice

In this chapter we have offered an integrated framework for poverty alleviation that outlines the roles of the private sector – including social entrepreneurs – government and civil society organizations to reduce poverty and improve the lives of the poor. Practitioners from each sector can gain a greater understanding of their own strategies to reduce poverty as well as understand the roles of other actors. In light of some literature that downplays the role of governments, our integrated model seeks to bring the important role of government into the debate and emphasizes that private sector activity and market-based economies are fundamentally embedded within political and social institutions that have an important role to play in poverty alleviation. We also present a framework that goes well beyond engaging the poor as consumers to highlight the multiple roles that the poor can play as sources of information, producers, employees and distributors. Among the various ways that the poor can be included in a value chain, we believe that the greatest potential for poverty reduction comes from engaging the poor as employees in local small and medium sized enterprises. Through policy making and collaboration, governments have essential roles to play in enabling the private sector to address poverty by helping facilitate job creation, providing infrastructure and public services, and regulating private sector activity to protect the poor. Civil society can play an important role as a catalyst and watchdog to ensure that both the private sector and governments live up to societal regulations and expectations. With an integrated approach, social entrepreneurs and companies, both large and small, and their partners can make realistic progress towards the complex tasks of social and environmental innovation while genuinely addressing poverty alleviation and bring us closer to a globally inclusive market system that creates value for all.

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Part IV
Cross-Sector Collaboration and Social Innovation

Chapter 8
From Concord to Conflict: A Conceptual Analysis of a Partnership for Social Innovation

Rob Moore

Abstract This chapter provides a case study of a regional development initiative that reflects two dimensions of social innovation: the first being the translation of socially restricted practices (scientific research) into a more distributed social value (popular access to scientific insight) in order to generate more dispersed economic value in a marginalized community (through the growth of a tourism industry). The second dimension involves the re-ordering of sectoral relationships and organizational capabilities needed to achieve this shared social purpose. The one innovation requires the other.

The thrust of this case study is an analysis of the reciprocal relationships at work between the chief protagonists in the partnership that form the basis for the social innovation. An analysis is provided of why an initially amicable and concordant relationship became fractured and conflictual when the initiative transitioned rapidly from a low-yield phase to a high-yield one. The case study traces the trajectory of the re-ordered sectoral relationships, outlining the value propositions of the respective partners and their participatory strategies. At the outset, strongly-shared common purposes served to contain divergent interests, but these interests emerged powerfully and disruptively during a high-yield phase. The analysis offers a conceptual language that can be used to generate insight into social innovation partnerships more broadly. The case concludes with a consideration of the institutionalizing measures needed to achieve the complex purposes of the innovation, as well as to manage the inevitable diversity of interests among the cross-sectoral partners who collaborate in such initiatives.

Introduction

In the South African context in which this case study is set, the notion of social innovation tends to take on a particular character, informed by this country's preoccupation with its high levels of poverty and socio-economic inequality. South

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Africa's economic geography includes areas of wealth and prosperity equal to the plushest on the globe, but situated within easy reach of wastelands of economic and social destitution. The consequences of this stark maldistribution of resources include high levels of joblessness and escalating levels of civil unrest in the marginalized communities.

Not surprisingly, a recent review of South Africa's national system of innovation (DST 2012) has identified poverty and joblessness as leading challenges that innovation should address, and social innovation is afforded a prominent role in this endeavour. The review report argues that the urgency of the social and economic crisis facing the country requires

> "complex and multiple strategies undertaken at every level of enterprise, and that the responsibility is shared among all actors in society. The responsibility can no longer be seen as Government's alone but as a collective one, embracing all role-players including the private sector, civil society and poor communities themselves. Equally, the responsibility for achieving appropriate levels of employment cannot be confined to the 'formal' economy alone. Social innovation should thus be seen as a fundamental component of a sustainable society and economy, integrally continuous with other priority areas for innovation in our system" (DST 2012: 73–74).

Significantly for the analysis provided in this chapter, this formulation of social innovation notes the fact that such innovation often requires collaboration between various social actors and that innovation in one domain may have implications for practices in others.

This case study reports on an aspect of a regional development initiative which includes distinct dimensions of social innovation intended to address poverty and joblessness in an economically underdeveloped region, but also simultaneously intends to advance the interests of various other sectors. The innovation in this case involves a partnership between government agencies, higher education and private sector partners in an endeavour designed to leverage the social value of scientific discovery and near-pristine environments into a range of economic activities that would, among other things, be inclusive of the more marginalized communities in the area.

In other words, this case study reflects two interlinked dimensions of social innovation: the first being the translation of socially restricted practices (scientific research) into a more distributed social value (popular access to scientific insight) in order to generate more dispersed economic value in a marginalized community (through the growth of a tourism industry in an environmentally attractive setting). The second dimension involves the re-ordering of sectoral relationships needed to achieve this collective social purpose. The one innovation requires the other.

At its heart, social innovation is essentially about hybridity: the capacity to bring together disparate elements in a novel way in order to yield new forms of social value. As Mulgan (2007) notes, such innovations usually involve "cutting across organizational, sectoral or disciplinary boundaries (and often tapping into new sources of value by arbitraging ideas and knowledge)". The consequence of successful initiatives is often "compelling new social relationships between previously separate individuals and groups" (p. 35). As Bitzer and Hamann (2015) note, the

innovative promise of hybridity lies in recruiting the distinctive strengths of multiple partners, and the creative potential of their differing respective purposes. But inherent also in this hybridity – for the same reasons – is the potential for conflict. As we shall see, the chemistry of hybridity needs carefully to be catalysed so that creativity and innovation are the result, rather than fruitless abrasion and dissolution.

The discussion in this chapter will focus primarily on the challenges of achieving cross-over value and (especially) sustaining hybridity in the longer term, essential for innovation that intends to make an impact on deeply-structured social deprivations. In this study, we will trace the trajectory of such a relationship, where an early phase of stable equilibrium is disturbed, disrupted and re-arranged by the transition of the partnership from a relatively low-yield phase to a higher-yield phase, and how subsequently this disruption has provided for the renewal of the innovation as a whole.

The account provided in this chapter develops a conceptual language to account for the dynamics that characterized the processes, trusting that this may assist in the analysis of similar situations. In particular, the chapter seeks to provide some reflection on how discrepant interests are configured, how these give rise to conflict, and proposes measures to better ensure the fulfilment of complex multi-actor social innovations.

Context

The multi-partner relationship in this case study was forged in the context of a regional development initiative (hereafter referred to as the RDI) in an underdeveloped rural area with a marginalized population with low levels of employment and vulnerable living conditions. This area, however, is characterized by landscapes of unspoiled natural beauty and is the site of respected scientific work, in particular palaeo-anthropological studies of early hominin fossils thought to be antecedents of modern humans. The active agents in this RDI include the government agencies (at all three tiers), a university with a number of scientific investments in the area and various private sector interests.

In structuring the innovation under discussion, the partners embarked on what has now become the classic model for regional economic development strategies. As Moore and Westley emphasize, social innovation requires not just the introduction of new technologies, but a significant reorganizing of social, economic and institutional relationships so that the functioning of the various sectors (and their respective interests) operate reciprocally (rather than only individually or parochially) to release different (and better distributed) social value (Moore and Westley 2011). In this case, the partners sought to mobilize the distinctive assets of the region, mentioned above, and to restructure the patterns of development at work in the area.

The central strategy of the RDI was to develop the tourism industry in this area of environmental and scientific interest, intending to achieve enhanced and inclusive economic activity, while simultaneously providing protection for the pristine landscapes and a stable context for continuing scientific research. Both of the latter are vulnerable to unplanned informal settlements arising from migrations from more remote rural communities towards the urban heartland adjacent to this area, as well as real estate developers seeking prime positions for upmarket housing and golf estates.

In the decade since its initiation, the RDI has succeeded in achieving the status of a World Heritage Site and the establishment of high-quality interpretation centres providing public access to the palaeo-scientific significance of the area. The government agencies have invested heavily in the roads and other infrastructure, and the growth of the tourism industry in the area has brought about a growing prosperity to private sector interests – albeit somewhat unevenly distributed. Although jobs have been created at many levels, including providing employment in the poorer communities, the 'base of the pyramid' has not benefitted as much as was originally hoped, and (as we shall see later) fresh strategies are under development to strengthen inclusion at this level.

However, the thrust of this case study is an analysis of the reciprocal relationships at work between the chief protagonists in the partnership that form the basis for the social innovation, and the organizational implications of how institutions might need to adapt in order to accommodate such innovations. The sustainability of this re-formed social contract is essential for the continuity and growth of the value of the innovation, and there was a period when these relationships were seriously at risk of disintegration with consequences for the RDI as a whole. Understanding the dynamics of cohesion, and subsequent organizational adaptation, is essential for the future vitality of this and other social innovations.

The Relationships: Fusion and Fissure

The decade-long trajectory of the RDI saw a number of relationships coalesce around the initiative, both as formal partnerships and as less-formal associations. As noted earlier, and for the purposes of this analysis, the formal partners involved the government agencies, a university and a number of private sector actors, including, firstly, the landowners of the privately-owned reserves where palaeo-science research is undertaken; secondly a large corporation with a history of funding the palaeo-sciences at the university over many years, and thirdly, some private entrepreneurs, also with a long history of supporting the palaeo-sciences at the university.

Scientists at the university had been working on both university-owned and privately-owned sites for many years, with sustained cordial relations with the private landowners. These landowners also, by-and-large, welcomed the inauguration of the RDI, emphasizing as it did the preservation of the environment, public access to science and increasing socio-economic stability. It was assumed that all the actors

in this relationship were motivated by common and long-standing shared interests – social innovation directed at the growth of economic activity consistent with the environmental and scientific character of the area, with the purpose of advancing job creation and poverty alleviation. As it turned out, this assumption was shown to be naïve, and that a more complex set of interests were in fact structuring the participation of the various players.

Although very significant and internationally respected palaeo-anthropological work has been conducted in the area for many years, in 2008, a scientist uncovered a particularly significant set of fossils that were two million years old, of rare quality and great scientific and public interest. When papers detailing the find were published in a top international journal in 2010, it drew unprecedented attention globally. The developments under study in this chapter occurred in the 6 months prior to the public release of news of the find, during the period when the various actors in the relationship became aware of the significance – and the potential value – of the discovery. During this time there occurred a repositioning of the players in terms of power, control and status, including 6 months of competitive positioning for value capital (a closer analysis of which will be provided below).

During this period, a number of previously close and positive relationships (especially between public and private sector players) quickly broke down, and took on the character of threats, accusations and recriminations. In differing ways, each actor sought to benefit from the situation in ways that had affinity with their respective purposes. During the months in question, elements in the university attempted to play the role of 'honest broker' in the relationships but inevitably became positioned and implicated in the conflict, as they too sought to advance and protect their own sectoral interests.

Essentially, it became clear that the unprecedented nature of the fossil find was going to attract a great deal of attention locally and internationally – from the media, from the scientific community, from government, from donors and investors in this and related fields of study, and from the broader public. What followed were determined efforts by each of the actors to affiliate themselves with the find in one way or another to capture a share of the reputational value that would accrue to the find, and from there to translate this into other forms of value suited their respective purposes.

Assisting to structure the relational landscape in which these moves were made was the fact of some pre-existing tension between (particularly wealthy, large-scale) landowners in the area and the arm of provincial government that was driving the development initiative. For example, the grouping of landowners (representing a considerable proportion of the land in the RDI district) were keen to protect and retain something of the rural character of the area, and divergent perspectives arose over the enhanced road system that government built in the area, and the consequent increased flow of various kinds of traffic. Strongly-felt debates were held over the desirability of restricting access to some forms of traffic. Within this already-polarized context between private and public sector interests, the motivations of various role-players were no doubt complex and nuanced, but reciprocal antagonisms arose which were informed by weakening levels of trust. In particular the

divide came to be seen broadly as between those seeking to advance private interests and those advancing public ones. Some of the developments included:

- The landowner on whose property the fossils were discovered formulated plans to establish a Foundation associated with the fossils, as a means of attracting revenue, perhaps to offset costs associated with the public interest in a hitherto pristine stretch of land. Government wrote a formal letter signalling that although the land was privately held, it was within a declared Heritage Site, and "the cultural and natural heritage is held in public trust for the people, the beneficial use of cultural and environmental resources must serve the public interest and the cultural and natural heritage must be protected as the common heritage of the people" (Letter from the Department of Economic Development). The landowner was reminded that "archaeological and palaeontological objects are part of the national estate and the property of the state". The landowner would need to apply to Government to set up a Foundation.
- The landowner registered copyright on the name of the site of discovery in a way that had implications for future tourism and publication benefits associated with the fossils;
- The university, together with national and provincial government, planned a major media announcement of the find, with Presidential- and Ministerial-level guests, inviting a full complement of international and local media, timed to coincide with publication of the fossils in a top science journal. This was intended to profile the university and its scientists, as well as the national and provincial levels of government (who are important sponsors of the university), signalling the leading role these actors play in this field of study;
- A non-governmental organization which brokers sponsorship for the palaeosciences endeavoured to position itself advantageously during the months leading to the launch, playing a role in a national competition for school-children to name the fossil, and adding to the complexity of communications flowing between the university and one of its major donors;
- A corporate sponsor of the university planned a major advertising campaign based on the find, and divisions arose over branding and profiling associated with this campaign;
- The university sought to limit the degree of 'brand-clutter' surrounding the event, hence narrowing the field for reputational accrual;
- A landowner threatened to block access by scientists (including the PI responsible for the find) to sites of exploration unless particular measures (including funding) were agreed to by the university and government;
- Government players discreetly reminded players of its regulatory powers, including its ownership of the fossils and its powers of land expropriation.

In these and many other ways, many opportunities arose for competing interests and purposes to generate tensions among the various players. Doubtless the polarized perceptions occluded the more modulated intentions of many of the players, but it is perceptions that tend to drive responses. As time progressed, a pattern became clear: the government agencies and the university quickly found common

cause and were able to act with some accord, while both of these actors became engaged in increasingly deep conflict with the private sector players. Relationships between the private sector players themselves experienced some re-alignment.

At the time of the public announcement of the discovery, a 'cease-fire' was achieved and a provisional and uneasy accommodation was settled. This was, however, a temporary settlement, as some of the fundamental schisms had still to be resolved.

It seems then that the original relatively stable matrix of relationships underpinning the initiative was destabilized when the innovation moved from a phase of steady but relatively low yield of social value into a phase which promised dramatically higher yields of value. So, why should this have been the case?

Configuring Value Propositions

This analysis seeks to locate the various actors within a sociological frame of discussion and will propose a conceptual language that can be used to account for the dynamics observed within the case study. The starting point for this analysis is the observation by Le Ber and Branzei (2010) that "clashing value creation logics and conflicting identities can stall social innovation in cross sector partnerships" (p. 163). They note that partners typically enter such relationships with distinct frames of reference that inform and guide their respective participatory choices, but that frames from different sectoral origins are likely to be discrepant and potentially divisive. The goal is to achieve 'value frame fusion', where value compromises and alignments enable greater convergence of frames. Le Ber and Branzei further distinguish between *diagnostic* and *prognostic* framing, where the former assists interpretation of the present based on the experiences of the past, while the latter anticipates the future and may be more malleable and accommodating.

What, then, were the value frames at work in the case study at hand? To develop this understanding, I draw on the broad conceptual language developed by Pierre Bourdieu, but have somewhat adapted his terms for the purposes of this study. In particular, I use his terms *field*, *habitus* and *capital* to distinguish the value frames and positionality of the various players, and their relation to the directions the innovation was taking.

In his very valuable account of Bourdieu's contribution to sociological thought, Michael Burowoy (2012) notes Bourdieu's references to the *political economy of symbolic goods* (which include science, art and education):

> As with the capitalist mode of production, so with the notion of field, individuals are compelled to enter relations of competition in order to accumulate capital according to the rules of the marketplace. Bourdieu's fields have the same character, each having their own distinctive 'capital' that agents seek to accumulate, bound by the rules of competition that give the field a certain functional integrity and relatively autonomous dynamics. If there is any overall historical tendency of fields, it is towards the concentration of field-specific capital,

> as when Bourdieu (1975) writes of the scientific field as being dominated by those who increasingly monopolise scientific capital (p. 37).

As we have noted earlier, however, sites of innovation typically involve participation from multiple social sectors or fields. Burawoy continues:

> Each field may have its logic, but sometimes the strength of the habitus that agents bring from another field … may lead to a tension, conflict or even rupture with the new order in what he calls a 'misfiring' of habitus. It is the durability of the habitus that can lead to what Bourdieu calls *hysteresis* – how an individual's inherited and obdurate habitus inhibits adaptation to successive fields. … The disjuncture of habitus and field … is always a potential source of change, but we need to know when it leads to adjustment to the field, when it leads to innovation and when it leads to rebellion (p. 38–9).

In fact, social innovations of this nature can be understood as arenas of activity that dramatically weaken the boundaries of fields and bring into contention their respective social codes and authority systems. Often these arenas of innovation have unreliable platforms for the adjudication and resolution of competing interests.

Following Bourdieu's conceptual vocabulary, I suggest that each actor operating in this particular arena of innovation seeks to work with and accumulate different forms of *value capital*.[1] Three types of value capital are at issue here. These are:

- *Intellectual capital* (specialized knowledge typically developed and disseminated in restricted environments like universities and research agencies).
- *Reputational capital* (capital that provides a particular status and hence an exercise of social agency).
- *Economic capital* (as it suggests, this is substantive capital or actual revenue that can be exchanged on the market).

Each of the key actors in this case study (university, state and various private interests) works with all three forms of capital but do so in different ways in order to advance distinctive missions.

- The *university's* mission is a *cognitive* one, which is to generate and disseminate powerful knowledge. In the hierarchy of capital forms in the university, the apex form is intellectual capital, the primary pursuit of the academy, to which end reputational and economic capital are instrumental.
- The *state's* mission is a *regulative* one, which is to establish a particular order in the social and economic environment. It seeks to associate itself with intellectual capital in order to most effectively distribute its economic capital in order to accrue reputational capital. The apex is reputational value, needed for the maintenance of ruling power.
- The mission of the *private sector* is *accumulative*, predicated on the generation and acquisition of financial returns. Such interests seek to associate themselves

[1] The forms of value capital suggested here are selected to suit this context. A similar analysis of a differing context, with players from other fields, may identify different kinds of value capital to be at issue within that arena.

with intellectual capital in order to accrue reputational value, trusting that this will generate economic capital. Here economic capital is the apex value.

It must be conceded at once that this formulation simplifies the complexity of the various actors, each of which is constituted of agents with somewhat varying dispositions, even though they work within more or less coherent institutional or sectoral missions (more of which later). A key example of this variability within any sectoral actor is to be found in the case of the university, where the principal investigator (PI) associated with the fossil discovery was a powerful agent of innovation. His early realization of the potential value of the find, and how the intellectual capital could be leveraged in innovative ways to yield both fresh reputational and economic capital, played a vital role in prompting the transition of this social innovation from a low-yield phase to high-yield one. In fact, the PI represented an important new form of academic entrepreneurialism in this context, and his university would take some time to adapt its own systems to take advantage of the innovations that were proposed. Indeed, as we shall see later, these adaptations will play an important role in subsequent reconfigurations of the partnership that promise a renewed, more effective and more sustainable form of the social innovation within the RDI.

As noted earlier, the discovery of the new fossils, and the innovative proposals for how their value could be exploited, effectively meant that a long-standing partnership transitioned rapidly from an extended low-yield phase to a new high-yield phase. This new phase promised the generation of significant levels of each of the forms of capital noted above. This effectively provided the opportunity for each of the actors to attempt to reposition themselves advantageously within their respective fields, and within the arena of the innovation, and thus to accrue the forms of capital their missions require them to accumulate (as noted above).

It was these re-positioning manoeuvres that threatened the cohesion that had long characterized relations between the partners in this endeavour. As each of the actors sought to position themselves advantageously in the arena, they mobilized strategies from the repertoires available in their respective habituses. However, these strategies (hitherto not exercised in this innovation) quickly came to be interpreted as offending normative precepts in the missions of others. For example, private sector interests attempted strategies that were seen by the university and government as accruing private value from resources that should rather enjoy public or shared ownership, and they responded with counter-strategies available in their distinctive repertoires to forestall these moves. A number of complex moves and counter-moves ensued, with much reference to legal options and statutory authority. Erstwhile value-frame *fusion* disintegrated into painful frame *fissures*.

In summary, each of the various actors moved to assert their respective missions and the priority of their value propositions. As the trust equity within the relationships eroded, each of the actors endeavoured to deny the validity, or the progress, of part of the missions of the other actors that were seen as obstacles to their own mission advancement. Each camp sought to mobilize the coercive tools available to them (and inherent in their distinctive missions), but with each tool drawing on differing premises for how conflict would be resolved. Through a process of

negotiation and stand-offs, eventually an uneasy and provisional accommodation was reached by the time of the public launch of the fossil find (and hence the juncture at which the intellectual capital could be translated into other forms of value capital). This accommodation did not fully resolve the competing interests and ambitions of the three sets of actors, and it would be a further 2 years before the RDI would undergo a process of renewal that would more comprehensively address the interests of the respective players, including those of the poorer communities (whose interests had been occluded in these skirmishes), in a revitalized form of the social innovation.

Adaptive Strategies

How can the various strategies of the respective players be understood, seen against the imperative that social innovation should find ways of overcoming inevitable obstacles? To what extent are these adaptive moves tending towards, or conversely away from, the achievement of more stable forms of innovation? An analysis of the efforts by each actor to reposition itself within the fluidities of the arena suggests that these moves fall into two broad categories of strategy.[2] These are:

- *Niche-consolidating*: the two bureaucracies operating in the arena (university and government) seek to strengthen their existing internal repertoires of practices, the better to fulfil their established missions
- *Niche-seeking*: Private sector actors strive to enlarge or innovate their repertoire of practices and thus to position themselves competitively within the economic sphere. Similarly, the PI from the university sought to expand the repertoire of practices normally available to an academic in his context, challenging his home institution to adapt its systems to accommodate his innovations.

The positioning strategies that subsequently ensued generated a skewed outcome, with some players clearly advantaged:

- The niche-consolidating agents found a natural and complementary solidarity in each other, with their common strategies to secure continuity and stabilization in the arena. The university and government found common cause in their shared commitment to the public good, and an antipathy to the privatization of social knowledge. The university's brokerage capacity assisted in achieving very strong public sector collaboration and realized unprecedented reputational capital for both the university (especially the PI) and government agencies.
- This is in contrast with most of the niche-seeking private sector players whose strategies to position themselves unilaterally within the range of economic opportunities were generally forestalled. The private sector players thus ended in

[2] The terms *niche seeking* and *niche consolidating* are adapted with gratitude from work in another context by Muller and Cloete.

somewhat marginalized positions – ultimately an undesirable situation, given the need for an even distribution of value-accrual within a collaborative RDI.

Essentially, seen from the position of the need to sustain resilient initiatives, neither of these niche positioning strategies served to advance the social innovation, intended in its fullest conception to achieve economic inclusion of marginalized communities. Instead a third positioning strategy needed to be conceived, which we can call *niche innovation*. In this case, the codes governing the conduct of all the players need to be adapted to provide for changed performances that serve hybrid purposes, bringing fulfilment to the missions of all the actors in the arena of innovation. A new social contract needs to be struck that provides for a set of changed relationships, and a changed production and reticulation of value.

The analysis provided above has sought to account for the normative frames that informed the rupture of relations in the RDI, and the subsequent disposition of the various actors within the arena afterwards. This final section of the chapter provides a reflection on the organizational arrangements that had been structured to support the RDI innovation, how these changed through the period of fluidity, and how the future is being planned to give better effect to the intentions of the RDI. In essence, the question is: how do organizations need to adapt in order to participate in social innovations?

Organizational Adaptation to Support Social Innovation

The organizational responses to the rupture were instructive. Essentially, the RDI was conceived as a collaboration between existing institutions with strong statutory powers (government and university), various private sector interests with financial or entrepreneurial powers, and largely unorganized communities distributed in various pockets across the region with few formal powers, save their capacity for civic activism.

Not surprisingly, the institutions with strong agency were able to fulfil significant parts of their missions, especially those most closely associated with their core functions. So the university was able to contribute richly to the success of the interpretation centres in the area, the government agencies invested heavily in infrastructure, and small business found enterprizing ways of leveraging the enhanced flow of traffic through the region. As Bitzer and Hamann (2015) have noted, innovation needs to find organizational form, both in order to find initial realization in practice, and to be stabilized into a replicable repertoire of institutionalized behaviours. However, no specific agencies or oversight structures were formed to direct the participation of communities into the economy, and this dynamic was left to evolve organically. The mission to achieve enhanced public access to science (the peak rationale from which all other ‘goods’ would derive) served as a strong linking mechanism between the statutory bureaucracies, but was a weaker cohesive agent for the private sector participants, and weaker still for the community.

Essentially, the partners failed to formulate the kind of game-changing innovation that might have promoted a shift in the socio-economic regime of the region. To do so, the university (for its part) would have had to find mechanisms to marshall a variety of intellectual capacities in a multi-disciplinary, multi-factoral set of interventions and enabling conditions that would encourage new modalities of livelihood to arise in the more vulnerable quarters of the region. The university was not yet geared to direct multi-disciplinary teams to address complex problems on a sustained basis.

Although multi-sectoral representative oversight committees were in place for many dimensions of the RDI, they tended to focus on the 'public access to science' priorities, and these quickly proved insufficient to manage the new dynamics introduced by the phase-change. New co-ordinating structures, differently composed, needed to be formed in order to address the fresh range of issues that emerged, often dealing with complex issues of intellectual property, legal and legislative issues, and issues of reputation, marketing and communication. The university positioned itself (naïvely, as it turned out) as 'honest broker' and convened these high-frequency meetings (as well as much of the informal and 'off-line' negotiations that transpired), but its need to protect its own interests was plainly visible, and it inevitably became positioned in the competing camps. The vast workload needed to manage the dramatically changed situation fell to a recently-formed new Division, mandated to manage the university's external relationships. In spite of extensive use of this structure, it was still necessary to employ an additional highly-skilled project manager to deal with the complexity of events that were unfolding. Further, the major-time involvement of the university's legal office became necessary in order to provide for wide new fronts of risk-exposure opened up by the changes. These were prompted not least by the highly entrepreneurial PI, whose new modalities were in advance of the readiness of the university's systems to accommodate them. In other words, in this respect too, the conventional structures and procedures of the university were inadequate to manage the new demands, and adaptive responses were then urgently required (and indeed are now more robustly in place).

Similar adaptive moves have been prompted in the government agencies, including national level strategic initiatives and most particularly in the provincially-driven renewal of the strategy for the RDI, where oversight of the initiative has now been brought closer to the authorities overseeing economic development and tourism (and hence with greater strategic and interventive power). Measures intended in the renewal of the strategy involve mechanisms for the more direct integration of poorer communities into the economy, including the establishment of a training academy (in partnership with private interests) that will address the skills needs of the distinctive labour market intended for the area. Importantly, mechanisms for more deliberate and widespread use of the expertise of the university are being built into the strategy. Some of the private sector interests have adapted their stances to enable government and university to operate hybrid enterprises within their sphere of influence, for both private benefit and public good purposes to be advanced. Without doubt, the participation of the poorer communities in the creative processes will be vital to informing the purpose, character and implementation of any innovation.

Conclusions and Implications for Practice

This case study examines the trajectory of an initiative that proceeded satisfactorily on a stable pathway for a number of years until a moment of crisis occurred which disrupted the equilibrium, threatened the cohesion of the enterprise, but in the end had the effect of prompting renewal in a re-energized social innovation. The insights gained during the period of crisis and the process of renewal are instructive for the future of this and other similar initiatives, especially for how universities situate themselves in this regard.

In essence, the university in this case was challenged along two dimensions of its organizational capability. The first was its ability to manage the exponentially increased demands associated with complex high-stakes external relationships of this nature, including the legal, media, diplomatic, marketing and financial functional areas. A distinction needs to be drawn between the high volume (and cost) of informal interactions and deliberations that precede and surround the eventual more formal transactions. Innovative relationships cannot easily draw on existing templates of behaviour (indeed these would inhibit the formation of the novel patterns needed for innovation) and new modalities of organizational response need to be formulated, often on the run, that are nevertheless sensitive to the limits of the elasticity of existing governance and resourcing arrangements.

In the case of the events alluded to in this chapter, the university in fact broadly succeeded in marshalling these resources from a recently-formed new Division, which provided a platform for this 'social learning', and these experiences provided powerful training for what have now become a fairly robust repertoire of capacities.

Much more challenging is the second capability exposed in this study: the expectation that universities can configure at relatively short notice a grouping of intellectual strengths intended to address a complex development objective on a sustained basis (complex problems are seldom swiftly resolved). If universities are to be development partners in social innovation (for example, in assisting to fulfil the ambitions of South Africa's recent *National Development Plan*), then this capability needs to become part of their (already complex) business model. At the moment, existing incentives act rather to promote the quicker turn-around of intra-academia production rather than the cross-boundary collaborations with their longer timeframes and inherently enhanced levels of risk. There are, therefore, implications for institutional governance, organization and resourcing traditions, as well as regulative arrangements in the broader sector to create enabling conditions for partnered collaboration (not least the current IP regime). To return to the earlier conceptual distinction between *niche-seeking* and *niche-consolidating*, it could be said that in this contemporary era, universities need to be deepening their *niche-adapting* capabilities.

An urgent need exists to conceive the values, protocols and incentives that might constitute the musculature for responsive universities, as well as those for a broader (more socially inclusive) inter-sectoral platform or arena for social learning that encourages and refines creativity, and that is supported by a regulatory regime that would support these forms of cross-boundary innovation.

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Chapter 9
Fostering Innovation for Sustainable Food Security: The Southern Africa Food Lab

Milla McLachlan, Ralph Hamann, Vanessa Sayers, Candice Kelly, and Scott Drimie

Abstract This chapter describes the Southern Africa Food Lab (SAFL) as a proactive social innovation, and explores the challenges and opportunities encountered in setting up such an initiative. Food insecurity and hunger persist in urban and rural areas in South Africa, with high levels of reported hunger and persistent chronic and micronutrient malnutrition. The SAFL works to facilitate shifts towards an equitable and sustainable food system, by stimulating ongoing dialogue and collaborative learning among stakeholders, and enhancing the effectiveness, accountability and legitimacy of multi-stakeholder teams working on innovations in the food system. Key tenets of the Lab process include an emphasis on emergence rather than predetermined outcomes, creating spaces for personal reflection and authentic communication, and shared experiences of the system 'on the ground'. Challenges include engaging the leadership of activist NGOs and community groups and to have sustained participation from senior public and private sector actors. Issues of unequal power, constrained resources and different perspectives on the balance between

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talking, listening and acting are likely to continue to surface and provide opportunity for reflection and innovative action as the process unfolds.

Introduction

Societies are faced with inter-related socio-ecological challenges that are too multi-faceted and complex for any particular organization, including the state, to address unilaterally. They also require profound social innovation, which we interpret in two ways: first, as an innovation in the ways in which people and organizations interact with each other, and second, as an innovation that has the explicit objective of addressing a complex social problem that is defying resolution through established means. Such proactive approaches to social innovation require the development of novel structures and processes of inter-organizational collaboration across public and private sectors and civil society, across scientific disciplines and divides between scientists and practitioners, and across class, race and other social divides (Kania and Kramer 2011). One such complex social problem is food insecurity. In this chapter we discuss the Southern Africa Food Lab (SAFL) as a proactive social innovation effort to address food insecurity, focusing in particular on the challenges and opportunities involved in developing the structures and processes of such an initiative.

The SAFL works toward a society in which everyone has enough food for a healthy life, in which workers in the food system are rewarded fairly, and the food system contributes to protecting and regenerating the natural environment on which it depends. In short, the aim is a food system that works for all. The SAFL uses innovative collaborative learning and facilitation approaches to develop a systemic understanding of food security issues, and supports multi-stakeholder teams involving business, government and civil society to design innovations that will shift the food system onto a more sustainable and equitable path. Through a learning-by-doing approach, the Lab also endeavours to model a new way of organizing for social change – developing a dynamic process and structure that can respond to systemic issues in creative ways and inspire change in how we think about and act on complex social challenges.

The SAFL was created in 2009 by a group of concerned role players who recognized that transformation in the food system required a shared understanding of the food security problem, fresh thinking about possible solutions, and joint action. Starting with exploratory conversations and a workshop at which a synthesis of food security research results were discussed, the Lab has grown into a multi-stakeholder network. This chapter describes what we, as conveners, facilitators and participants, have learned so far about the benefits and challenges of creating and sustaining such a social innovation process to tackle the complex problem of food security. We start with a brief discussion of the food security challenge in South Africa. After providing a rationale for transformative change in the food system we highlight key elements of the change theory that informs the design of the Lab. Finally, we describe

the activities of the Lab, demonstrating how the change theory is being applied, and explore lessons from these initial steps for the way forward, as we continue to work toward a food system that works for all.

The Food Security Challenge in South Africa

Food security exists when all people, at all times, have access to sufficient, safe and nutritious food for a healthy life, and are not at risk of losing such access (World Food Summit 1996). Thus food security requires that safe and nutritious food is available at global, national and local levels, and that everyone has sustained physical and economic access to it. The Right to Food is contained in the UN Covenant on Economic, Social and Cultural Rights, and defined in terms of food security in General Comment 12 by the UN Committee on Economic, Social and Cultural Rights (1999). The world currently produces sufficient food to feed the global population, yet 2008/9 estimates indicate that almost a billion people are considered at risk of food insecurity (FAO 2010). The estimated 171 million young children who suffer from chronic malnutrition worldwide represent a silent emergency of enormous proportions (De Onis et al. 2012). In addition, an estimated two billion people are vulnerable to the hidden hunger of micronutrient deficiencies (Micronutrient Initiative 2009). At the same time the world faces an epidemic of diet-related non-communicable diseases (Beaglehole et al. 2011). Under conditions of climate change, biodiversity loss, soil degradation and water scarcity, coupled with dietary changes due to rising income levels and rapid urbanization and lifestyle changes in middle and lower income countries, it will become more challenging to safeguard an adequate food supply for the growing world population (Godfray et al. 2010).

The food security situation in South and Southern Africa mirrors the global picture. While South Africa is food secure at a national level in terms of aggregate food availability, maintaining a secure national food supply for the medium to long term will require support for the farming sector that is predicated on sustainable resource use and judicious regional trade policies. At national level, the policy recommendation is to maintain a positive trade balance for primary and processed agricultural products, rather than to strive to achieve food self-sufficiency in staple crops (National Planning Commission 2011).

The food security situation at household and community level is dire. National nutrition surveys indicate that about 22 % of children under 9 years of age are stunted; and approximately 3.7 % of children under 9 years of age show signs of wasting (Rose and Charlton 2002; Labadarios et al. 2008; Chopra et al. 2009). While malnutrition persists, overweight, obesity and diet-related non-communicable diseases are on the increase. National studies indicate that over 50 % of women and 30 % of men are overweight or obese (Puoane et al. 2002).

Studies on food security use different definitions and instruments, giving rise to widely varying estimates of household level food insecurity. Using reported food expenditures from the national 2005/2006 Income and Expenditure Survey, Jacobs

(2009) estimated that only one in five households were able to meet their minimum daily energy requirement. The National Food Consumption Survey (NFCS) of 2005 estimated that 52 % of households experienced hunger (Labadarios et al. 2008).

Although often considered a rural phenomenon, food insecurity occurs in both urban and rural areas in South Africa. Recent case studies in poor neighbourhoods of urban centres in Southern Africa showed very high levels of hunger and food insecurity, and a high dependence on supermarkets for their food purchases. As food insecurity increases, however, households rely more on informal markets and small outlets (Crush and Frayne 2011). Further, the overlay of food insecurity and the HIV epidemic in urban informal areas is raising significant challenges for urban development processes (Vearey et al. 2010).

It is estimated that South African households in the lower income deciles (1–3) spend approximately 35 % of their income on food, compared to about 3 % in the upper deciles. Furthermore, rural households and informal urban dwellers pay more for a basic food basket than their counterparts in formal urban areas because of the low volume of sales and limited competition, high transport costs and lack of adequate storage facilities, which contributes to higher spoilage of food (NAMC and DAFF 2008). As global events over the past few years have demonstrated, rising food prices and food price volatility can spark local and national unrest and destabilization. Lagi et al. (2011) suggest that social uprisings are likely beyond a specific food price threshold, and that this threshold is close to being reached in many parts of the world.

Over the past 5 years there has been a significant increase in attention to food security issues, both globally and in South Africa. The underlying causes and structural factors inherited from the past continue to prevent people from actively participating in the economy, are often contested, and pose difficult policy challenges (Du Toit 2011). Several agencies within the state, civil society, academia and the private sector have embarked on efforts to document, analyse and find solutions to the problem. For example, food insecurity was high on the agenda in the discourse leading up to the national elections of 2008. This emphasis on food security in policy dialogue was supported by initiatives at institutions such as the Development Bank of Southern Africa (DBSA) (see McLachlan and Thorne 2009) and the Human Sciences Research Council (HSRC), which focused on the challenges of measuring and monitoring food security (see Altman et al. 2009). More recently, the Department of Agriculture, Forestry and Fisheries (2012) has developed a Food Security Policy premised on the Bill of Rights in the Constitution. It is intended for public comment after the elections in 2014. The Zero Hunger Programme, being rolled out in 20 highly deprived municipalities, aims to improve food production capacity of households and poorly resourced farmers and ultimately to improve nutritional security of all South Africans. The National Development Plan also addresses food security, and goes beyond an agricultural focus by making recommendations for expanding the community works programme for rural infrastructure development. It also emphasizes the need to facilitate access to social grants for all eligible households, and giving particular attention to the nutritional needs of vulnerable people, notably chronically ill and elderly persons (National Planning Commission 2011).

Several universities, including Cape Town, KwaZulu-Natal, Stellenbosch, and Pretoria have developed focused research programmes on food security. A wide

range of civil society and private sector initiatives, including support programmes for emerging farmers, food gardening initiatives, and food distribution programmes, as well as efforts to introduce environmentally sustainable practices in food production, processing, logistics and waste management continue to be implemented (Faber and Laubscher 2008; Food and Trees for Africa 2010; Jacobs 2010; Lekganyane 2008; see also Hamann et al. 2015 and Bland and Hamann 2015).

Food Security: A Wicked Problem

The food security situation in South Africa, and in the world, exhibits many elements of a complex social challenge (Kahane 2004). Such challenges are called 'wicked problems', because they are difficult to define precisely and usually have multiple causes (Rittel and Webber 1973). As suggested above, food security is *socially complex*, meaning that there are many players and many (often opposing) perspectives that need to be accommodated in problem framing and resolution. For example, there are different perspectives on the role of biotechnology in achieving higher yields without further damage to the environment. Secondly, there is no single 'solution' to a complex issue, and trade-offs and unforeseen consequences of proposed solutions are common. This means that food security is *dynamically* complex. For example, the consequences of diverting funds from agricultural research and education may only be felt years later, when farmer support services collapse or are unable to assist farmers to adapt to changing weather conditions. Likewise, farmers adopt new techniques such as no-till farming because of its known effect on water and soil conservation, but its impact on carbon fixing or nitrous oxide emission is not yet known (Godfray et al. 2010). Thirdly, a challenge like food security is a moving target, as the conditions, as well as players, policies and related challenges, may all be changing as the problem is being addressed. Issues related to food security may be unfolding in unfamiliar and unpredictable ways due to major global or local shifts, such as rising demand for biofuels, or catastrophic events like major droughts or floods, demanding new and often untried responses. This is referred to as *generative* complexity. Given that even our best models and surveillance systems are not geared to respond to such unpredictability, appropriate policy responses are not obvious.

While the intensified interest in food security issues is important, in the face of the complexity of the issues, the question can be asked whether the change strategies being employed are sufficiently robust and comprehensive to shift the food system onto a more sustainable and equitable path. Interviews conducted during the 2008 spikes in food prices with a cross-section of South African role-players in the private and public sectors and in civil society indicated that while a range of initiatives and programmes are attempting to address food insecurity, they are generally fragmented and incommensurate with the scale and complexity of the problem. A lack of leadership and coordination by the state was highlighted in particular (Hamann et al. 2015). What will it take to build on the renewed interest and activity to create a food system that works for everyone?

Drawing on national and global experience, we believe that the complexity of the food security challenges we face requires new ways of thinking and working together to shift the system onto a more equitable and sustainable path. After an introduction on theories of change, change strategies, and the theory informing the Food Lab, we describe the Lab as an example of an initiative based on an innovative change theory. The Lab is not expected to provide a solution by itself, but is meant to complement existing and other emerging initiatives with an emphasis on new ways of communicating across perspectives, organizations and sectors. We end with reflections on the lessons we are learning in the process.

Theories of Change and Their Relevance to Food Security

While the work of national development is inherently about change – changing conditions from what they currently are, in the direction of a desired future – theories and processes of change, and the differences among them, receive surprisingly little attention. To make progress, we need to understand our change strategies, the assumptions underlying them, and the tools and skills needed to support the process (Waddell 2011). It is useful to distinguish between different types of social change and different change strategies in the light of the goals of development. Waddell identifies three types of change, namely incremental change, reform, and transformation. These broadly relate to what learning theorists refer to as single-loop learning, in which the focus is on improving current ways of doing things, double-loop learning, in which the focus broadens to a more systemic level to consider diverse options for action, and triple-loop learning, where the agents' roles in the system and their way of knowing are explicitly considered. In transformational change, when it becomes necessary to redefine or 'reinvent' a system fundamentally, triple-loop learning is necessary. This means that we need to reflect more fundamentally on purposes and create new ways of doing things (Waddell 2011: 97–98). Most comprehensive change processes will include elements of transformation, reform and incremental change at various stages during the process.

A wide range of change strategies informs approaches to change. These strategies are more appropriately viewed as complementary, rather than competing. For complex systems to change, action is needed in all four domains, as illustrated in Table 9.1.

The U-Process[1]

The U-process model, based on an explicit change theory, Theory U, was developed to guide transformative change processes addressing complex problems (Scharmer 2007), and systematically includes action in all four quadrants of the

[1] This section draws on McLachlan and Garrett (2008).

Table 9.1 Four categories of change strategies, with application to the food system

	Interior	Exterior
Individual	**1. Psycho-spiritual**	**2. Behavioural**
	Concerned with changing one's own sense of being	*Concerned with changing one's own behaviour and way of interacting with others*
	Broad change theory: *It is a question of changing individual perceptions and capacities*	Broad change theory: *It is a question of how individuals act and interact with others and the natural world*
	Focus	Focus
	Deepening self-awareness of one's relationship to food	Acting in ways that demonstrate trust, respect, mutual understanding
	Developing one's knowledge, skills, competencies in the arena of food	Shifting behaviour to demonstrate interdependence with others and nature
	Clarifying one's assumptions, values, mindsets and beliefs about food, food cultures	Recognizing differences and exploring ways to work with those
	Methods	Methods
	Personal reflection and inquiry	Changing one's dietary practices
	Personal development and mastery through practice	Learning journeys into others' world – including other food systems and other parts of the food system
	Reflection and meditation	Retreats and workshops
Collective	**3. Social and cultural**	**4. Structural and systemic**
	Concerned with collective values	*Concerned with governance, decision-making processes and institutions*
	Broad change theory: *It is a question of collective values, worldviews and beliefs*	Broad change theory: *It is a question of processes, structural constraints, institutions, power and organizational structures*
	Focus	Focus
	Collective goals and aspirations for the food system	Food and related policies, institutions and legislation
	Collective values and beliefs related to food and agriculture	Organizations, procedures to address food issues
	Implicit 'rules' and assumptions in the food system	Allocation of resources
	Methods	Methods
	Joint goal setting and strategy creation	Building political structures, agreements, frameworks and systems
	Developing shared perspectives	Developing new accounting, reporting, and measurement systems

Adapted from Waddell (2011: 106)

change strategies framework outlined in Table 9.1 above. The hypothesis of Theory U is that sustainable, transformative change is a function of shifts in individual perceptions, perspectives and intentions, combined with shifts in collective perceptions and intentions (McLachlan and Garrett 2008). When individuals and groups take action based on changed perspectives and intentions, transformative structural and systemic change can occur. Given the complexity of current global problems, leaders from different parts of the system need to understand and experience the issue at hand in new ways, and rigorously question their own roles in the system (see also McKague et al. 2015 and Hall 2015). They need to link the deeper understandings which emerge from these processes to existing local wisdom, in order to jointly experiment with new ways of doing things.

The U-Process Model

The U-process consists of three phases, namely sensing, presencing, and realizing; and involves the development of seven specific capacities (suspending, redirecting, letting go, letting come, crystallizing, prototyping and institutionalizing) during the course of the process. These are identified in Fig. 9.1, and discussed below.

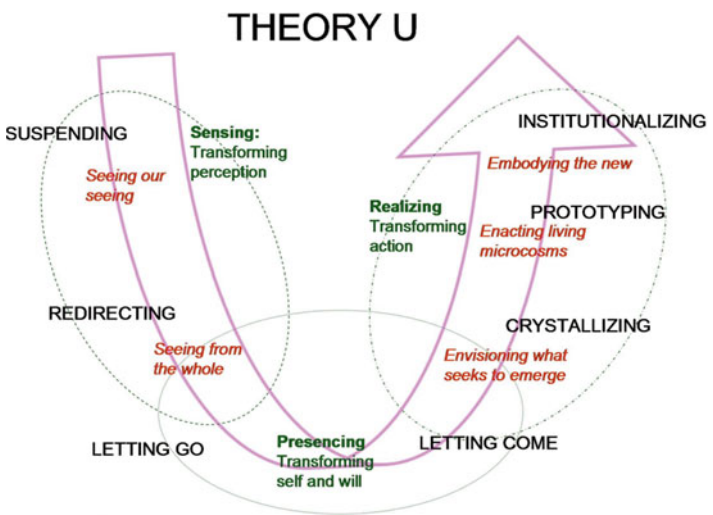

Fig. 9.1 A schematic representation of Theory U (Source: Based on Senge et al. (2004))

Sensing

Sensing involves transforming perception about a problem through a careful in depth exploration of current realities. It consists of two major 'steps' or capacities – *suspending*, and *redirecting*. Often problem solving involves no more than applying what the actors already know to the problem at hand, without much reflection on the assumptions underlying that knowledge. The process of suspending provides opportunity to look closely at one's own way of seeing. Redirecting involves also taking others' perspectives, thus looking at the world through a different set of lenses, and beginning to see the problem from different angles.

Sensing involves bringing the best available scientific knowledge about a particular issue to the table, with awareness of the assumptions and inherent limitations of that knowledge. It recognizes different disciplinary perspectives, as well as the contribution of local, 'everyday' knowledge. Thus sensing involves combining the insights of the full range of people involved in the process, and beginning to reframe the problem being addressed. The joint problem framing process thus involves developing a rich shared understanding of the situation.

Presencing

Phase two involves stepping back from the analytical process that is the hallmark of the sensing phase, to reflect deeply on what is going on, and what is demanded from oneself and the group to change the situation. This phase is called presencing because it involves being present to the bigger picture, seeing oneself as part of a larger whole, and recognizing the power of the group to act on the situation in new ways. It means letting go of attachments to previous attitudes toward, and understandings of the situation and strongly held views of the problem and solutions to it. As Nilsson et al. (2015) suggest, seeing ourselves as part of the system is necessary to overcome our tendency to embody and hence reinforce the institutions we regard as part of the problem. According to Scharmer (2007), at the "bottom of the U", a different kind of knowledge, namely "inner knowing," is activated. Participants may spend time alone, and in small groups, for example in a wilderness retreat, to think about what the system demands of them individually and collectively. By bringing together insights from the sensing phase while being open to this "inner knowing", alternative approaches to the issue can begin to emerge. This process activates collective creativity, which can lead to "breakthrough" innovations for prototyping and piloting in the third phase of the U-process.

Realizing

In Phase three, prototype projects that can be quickly implemented and tested, are identified. The people who were involved in conceptualizing the problem and generating likely solutions remain engaged throughout the process. The purpose of

prototyping is to model the proposed new reality – the envisaged future system – on a small scale, and thus to illustrate that there are different ways of approaching the problem. Viable prototypes can then be scaled up and eventually become institutionalized, thus leading the way towards a new reality. Prototyping is a learning-by-doing process, which encourages taking risks and learning from mistakes along the way.

In one sense the U-process is nothing new – it is what happens during the creative process, when entrepreneurs, inventors or artists create something new. In another sense it is novel, because it has been developed into a methodology that can be learned and replicated by groups of people, working together as a 'single intelligence' on complex problems. The successful completion of a U-process requires getting the 'right' people in the room – people who together form a microcosm of the system, who are open to changing themselves, and committed to changing the situation. Perhaps the most significant characteristic of the process is that participants learn to see themselves as being part of the system they are trying to change, and are open to being changed through that interaction.

The Dynamics of Personal and Interpersonal Change in the U-Process

At the heart of the U-process is the understanding that change processes need to pay attention to the *source* from which leaders act to deal with challenges and bring about change (Scharmer 2007). Rather than merely drawing on what worked in the past, the U-process creates opportunities to move toward more reflective, deliberate and deliberative responses. Key processes are listening without judgment; reflecting on one's own and other people's perspectives; and recognizing that alternative interpretations can be valid. The process creates opportunities for participants to recognize their own deeply held convictions and motivations and the power they hold to influence the broader system, leading to conscious decisions about the active role they want to play. This process is not easy (see also Moore 2015 and Kuenkel and Aitken 2015). It calls for openness, and the willingness to feel insecure and not to have the answers. Participants need to resist the habitual responses characterized by judgment, cynicism and fear, which are common when confronted by ambiguity or challenges to one's worldview or perception of oneself.

The U-process recognizes that the quality of conversations among stakeholders plays a key role in determining outcomes. Conversations can usefully be classified into four types. *Downloading*, or 'talking nice,' involves saying what one ought to say, being polite. *Debating* is the first step toward more authentic interaction, when participants begin to say what they really think – each defending their own positions, but at least expressing their views clearly. Most public forums concentrate on this mode of interaction. In *reflexive dialogue* participants begin to listen with empathy, reflect on their own contributions, and emphasize how different perspectives relate to each other. In *generative dialogue*, the conversation becomes more explicitly about generating new perspectives, insights and inspiration, as participants share not just ideas but deeply held convictions and narratives. As Nilsson

et al. (2015) suggest, there needs to be a mindset shift, from attempting to fix problems (incremental change) to a transformative mindset, where widely held beliefs, practices and relationships are challenged. While the U-process enables a deepening of conversations from downloading to generative dialogue as participants move "down the U," all four types of conversation can occur at every stage of the U-process. Experience suggests that the ability to move to reflective and generative dialogue is essential for transformative change to happen (Kahane, after Scharmer [2007], 2010). Moore (2015) illustrated in the previous chapter how inadequate dialogue between actors can quickly turn positive and close relationships into conflictual and power-based interactions, ultimately impeding the development of transformative innovations.

The U-process model is thus concerned with individual and collective perceptions, values and actions. By engaging a team of people from across the system in a structured process over a period of time, it facilitates change in perceptions and perspectives, deepens conversations and shared commitments and supports the development and implementation of novel responses to complex problems. The overarching design and facilitation techniques employed throughout the process are central to achieving these objectives. How this was attempted, and what we have learnt in the process, will be illustrated in the following discussion of the Food Lab.

The Southern African Food Lab (SAFL) – An Initiative to Stimulate Transformative Change in the Food System

The origins of the SAFL are in a multi-stakeholder workshop held in Johannesburg in February 2009, at which there was widespread agreement on the need for better collaboration within and between sectors on food security matters. This workshop led to a year-long Change Lab process, based on Theory U (Scharmer 2007) described above. The process was facilitated by Reos Partners,[2] who have continued to facilitate the process since then. The text below focuses in particular on the initial year-long process that was implemented during 2010. The initiative has continued in adapted form since then, and these experiences are also incorporated in the reflections on the experience.

Following the logic of Theory U outlined above, this section looks at the initial phases of the Lab as a 'prototype' for a food system change strategy. We start by '*sensing*' the Lab process as it has unfolded to date. Next we reflect on the experience and enquire what it now requires from us (*presencing*), and finally we make recommendations for next steps to *realize* the next phases of the Lab process.

[2] Reos Partners brought their specialized experience in the U process to bear in all phases of the U: in design and implementation of dialogue interviews and preparation of the synthesis report and learning journeys, innovation and team workshops.

Sensing the Food Lab

The objectives of the SAFL relate to the sensing-presencing-realizing activities that can facilitate the transformative process envisaged in Theory U. Different change theories, addressing change at the individual, interpersonal and systemic levels, are reflected in these objectives.

1. To facilitate on-going multi-stakeholder dialogue and innovative learning activities to give voice to a wide range of perspectives on food system challenges, stimulating the exchange and development of new ways of thinking about food security;
2. To provide a platform for leaders from different parts of the food to communicate with each other and to build trusting relationships across disciplinary, sectoral and organizational boundaries. The objective is to create a 'safe space' for in-depth reflection and authentic communication.
3. To strategically direct and provide support for innovation teams working on specific food security issues in the region. These teams harness the information and resources available among team members, as well as the creativity that arises through their interaction, to address intractable challenges in the food system.
4. To document and disseminate innovations and good practice in food security in southern Africa to a broader audience, demonstrating the value of collaboration across and within sectors for achieving social and environmental sustainability in the food sector.

Sensing the Food System

The Sensing process started with the preparation of a background report based on scientific research on food security, as well as in-depth dialogue interviews with 21 senior representatives from different parts of the food system. The synthesis report from these interviews documents the views of interviewees about the current reality of the food system, explored views on future options, and looked into what choices needed to be made and where to start. The interviews suggested that farmers, farm workers and consumers – although key stakeholders in the food system, were largely silent, and particularly vulnerable to forces beyond their control.

As the sensing process unfolded, two main views about the way forward emerged. Some suggested that incremental changes to existing systems and policies should be made to improve food security. Others proposed more thoroughgoing change in the food system. Their proposals included targeted government intervention, and promoting livelihood farming, which would involve many more people in growing their own food and distributing excess through new channels such as cooperatives. For many players in the food system, carving a 'middle road' involving both incremental change and transformation of parts of the system seemed advisable. Given the complexity and urgency of the issues involved, and

the gaps in our understanding, the report suggested that we will have to "make the path while walking it". Creating a food system that works for everyone requires a better understanding of how low income consumers, farmers and farm workers experience the system.

Recognizing that such a deeper understanding was essential as we begin to work together to create the kind of system we want shaped the next steps in the sensing process. Three learning journeys were undertaken, to sites in Cape Town, Johannesburg, and Limpopo. The journeys gave participants the opportunity to experience parts of the food system together and reflect on their own role in the system; to engage with a wide range of stakeholders and to recognize different perspectives on it, to suspend judgment and reflect on the limits and possibilities of their own perspectives and to begin to identify opportunities for innovation. The journeys demonstrated the enormous range in people's engagement with and experience of the food system, the dignity and pride of entrepreneurs and farmers working in the system, and the scope for innovation that already existed.

Presencing

The process of reflection on issues in the system and our roles in it consisted of a 1-day meeting in Johannesburg and a 2-day innovation workshop in Cape Town. A wide range of participatory techniques, including mapping, open space, World Café and facilitated plenary conversations were used in these sessions to deepen the collective understanding of stuck issues and opportunities to leverage change in the system. In the Cape Town workshop, about 50 participants from public, private and civil society organizations, representing different parts of the food value chain, started to deliberate on a way forward. Building on the personal experiences of some of the participants in the learning journeys and other parts of the process to date, and the resulting personal commitment and questions, the group identified questions they wanted to explore further, and began to design prototype initiatives on which they could work together.

Realizing

Five innovation teams were set up and started working on their prototyping processes towards the end of 2010. The guiding questions that informed the teams included how the fast moving consumer goods (FMCG) industry could leverage packaging opportunities to improve access to nutritious food at the 'base of the pyramid' and how to empower poor people to access affordable, safe, nutritious and fortified food on a sustainable basis; how farmers and other primary producers could be empowered through skills development for sustainable food security, and what we could learn from existing initiatives, and how a national conversation on food security could help to make food security issues more accessible to the broader public.

In the relatively short time the groups have worked together, practical steps were taken that showed potential for lasting impact. While the innovation team on support to people at the Base of the Pyramid has not developed a single project, the networking in the lab has enabled effective communication between professional nutritionists and groups involved in food distribution activities. Together they were able to rapidly resolve questions regarding an appropriate basket of foods needed to meet consumers' nutritional needs and local tastes. Case studies on the use of packaging material and on innovation in farming systems were developed. As discussed below, two of the teams have since formed alliances with other organizations to reposition their activities.

Thus, the SAFL went through the first Sensing–Presencing–Realizing cycle of the U-process. Albeit with limited resources, there was sufficient momentum and interest in the process to continue with Lab activities through 2011 and into 2012. Through participation in national and international meetings, the Food Lab's existence and approach has become more widely known. The Lab has continued sensing and presencing activities to stimulate self-reflection and mutual learning among members of the Lab, as well as engagements with a broader range of stakeholders in the food system. These activities include dialogue interviews to gain deeper insight into the perspectives of key role players; and public dialogue sessions on key issues to improve the quality of engagement and to move beyond polarized positions. A recent forum, for example, considered different perspectives on how the retail sector's sourcing decisions influence food security. These dialogues aim to build networks and shared understanding, rather than to reach firm conclusions or take immediate action. Ultimately, these social innovations aim to shift the conversation about food security from a one-way engagement, in which 'experts' share their knowledge with a passive audience, to a more engaged interaction among all stakeholders in the system. The value of these activities lies in creating greater understanding among the participants of the different perspectives that exist on particular food system issues, and facilitating a more systemic perspective on the problems with which they grapple every day.

Innovation teams have continued to apply the U-process cycle as they explore their particular fields and engage with other organizations. The innovation team on support to small holder farmers has reviewed the focus of their work and is collaborating with a research institute to better understand what works in supporting small holders' entry into commercial production in the complex South African context. An innovation in this work is the combination of a rigorous scientific research process and a social dialogue process. Learning journeys involving the research team and senior government and private sector role players were undertaken to sites in Limpopo and KwaZulu-Natal and followed by innovation lab events. As a result, there are now a number of multi-stakeholder groups driving initiatives such as raising the voices of small-scale farmers in public dialogue and debate, reviewing food standards as a barrier of entry for small-scale farmers, and the importance of differentiating markets for small-scale producers who range from small-scale commercial farmers to subsistence producers.

The National Conversation team is supporting the Human Rights Commission in their review of the Right to Food in 2014. A Transformative Scenarios Planning process focused on future food systems in southern Africa is also unfolding. With national government elections conducted in May 2014, a scenarios process on the future of food is critical to create a clearer map to support decision-making and action by all players across the public, private and civil society sectors. Transformative Scenario Planning, developed by Reos Partners, was selected as an appropriate methodology as it brings together many uncertainties into coherent possible futures. By understanding these storylines and flags, stakeholders in society can adapt or proactively plan towards their preferred scenario. A unique feature of Transformative Scenario Planning is that the process enables the scenarios team to actively lead the transformation they agree on, in this case to transform the food system, rather than only adapt to the stories as they present themselves.

Presencing – What Are We Learning and What Are We Called to Do?

Over the course of the activities of the past 4 years, valuable lessons on multi-stakeholder partnerships and systemic approaches have emerged. We need opportunities for policy makers, researchers from different disciplines, and practitioners from the public and private and not for profit sectors to engage with each other around specific themes, and to understand each other's assumptions, frameworks and time scales. Social innovations, such as the immersion and dialogue approaches used in the Food Lab, can assist in facilitating these processes. Our experience is that there is strong recognition among diverse people of the value of key tenets of the change lab approach, including the emphasis on emergent process, rather than predetermined outcomes; the emphasis on facilitating spaces for personal reflection and authentic communication among participants; and the emphasis on shared experience of aspects of the system, preferably 'on the ground'.

While the complexity of the food security challenge requires it, we have also experienced a range of obstacles or challenges in making the case for the systemic, participative and emergent approach used in the SAFL. The question can be raised whether sufficient high level support exists for such approaches, and specifically for approaching food security through the lens of food system change. Such an approach requires spending time with people from other parts of the system to develop a deep understanding of the nature of the problem and our roles in it.

It is important to speak regularly and openly about the benefits and challenges of ongoing participation in Food Lab activities, and to explore whether participants experience the process as a good investment of time and other resources. With regard to funding, we were able to obtain funding from an agency that had some openness to a process-oriented project, but even there we struggled to align this

approach, which requires being open to prototyping and piloting solutions through learning by doing, with the development paradigms which currently drive donor funding. We had to fit the process into the accountability bureaucracy, which requires identifying clearly defined deliverables. As Kuenkel and Aitken (2015) and Moore (2015) have noted, differing institutional logics are a challenge in social innovation. A related challenge is the recognition that a particular set of skills and experiences is required to successfully facilitate the meetings and other components of this kind of process, and is also time intensive (e.g. organizing learning journeys) which gives rise to costs that may seem unusually high for some funders.

In terms of time, while people may think this kind of thing has value, it is likely to be relegated to the back-burner as other 'more urgent' things come up. This is perhaps a good example of the tyranny of the urgent displacing the strategically important. Similarly, people with significant influence have been harder to bring into the process. They seem more prone to see this process either opportunistically or as being too intangible, without immediate concrete outputs, and unrelated to their own personal ambitions or immediate priorities. Thus the process has relied on people in the middle-level of their organizations who may have limited command over resources, for example, to dedicate to innovation team activities. Also, the valid concerns relating to competition and regulation constraints require us to work carefully and with legal input to enable competitors and their regulators to find and work in the legitimate and important areas where they ought to collaborate in the public interest.

Realizing

Where needed, we can assist participants to make the case for participation to others in their organizations. It is also likely that current innovation team activities will engage a larger group of senior leaders in the food system, and will begin to deliver concrete evidence of the value of these approaches. The two innovations that have moved forward rapidly – on smallholder farmers and a national conversation on food security – have two key factors in common: they involve partnerships with organizations with important intellectual or institutional resources, as well as a strong alignment with regard to the purpose and content of the innovation theme; and these partners, as well as other key role-players (e.g. funders) identified the importance of the 'service' that the Food Lab could provide, i.e. to help facilitate inclusionary and deliberative conversations and meetings in support of the objectives of the initiatives. These are key areas of success and importance that we can build on in future.

As these processes unfold, we will yet again embark on the process of sensing, presencing and realizing, learning as we do so, and building momentum towards a food system that works for all.

Implications for Practice

Three important implications for practice deserve emphasize from this discussion.

1. Supporting 'third-loop' learning
   Transformational change requires letting go of deeply held convictions and redirecting attention to other possible perspectives. This is deeply challenging for people. Practitioners need to focus closely on directing people's attention to the fact that current approaches have failed to have the desired impact and to help them reconnect to their own purpose in terms of the changes they wish to see for the system. This will enable them to work through the discomfort and give them the willingness to persevere through the process.
2. Paying attention to power dynamics
   In multi-stakeholder processes such as the change lab, power dynamics have the potential to disrupt or even extinguish potential innovation. Despite the need for participants from government and large corporates to be involved, their presence changes the dynamics considerably. Again, this highlights the need for skilled facilitation in such processes.
3. Following participants' preferences (or 'letting come')
   The power of 'letting come', a key principle of the U Process, was highlighted during the change lab. A participant who had joined one of the innovation teams approached the facilitator and asked to move to another team. The facilitator reinforced the principle that he should go to wherever he felt he could have the most impact. Due to the nature of his employment, the innovation team was able to connect to an organization that supported its activities. The facilitator's focus on allowing the process to follow participants' own preferences meant that this small move translated into an innovation team flourishing and having a much larger impact.

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Chapter 10
Key Factors for the Successful Implementation of Stakeholder Partnerships: The Case of the African Cashew initiative

Petra Kuenkel and Andrew Aitken

Abstract The implementation of sustainable development efforts often requires finding joint solutions to complex challenges and cooperation between different societal actors in order to pool expertise and resources. Such cross-sector stakeholder partnerships require patience and persistence, but, when managed well, they can build the cross-sector stability we need to address global challenges and find innovative solutions. Any attempt to initiate, implement or facilitate such cooperation processes is an intervention into a fragile and often controversial system of actors, requiring careful attention to the quality of relationships and interaction among stakeholders. This chapter discusses the main concepts related to multi-stakeholder partnerships and the key factors for their successful implementation. Laying out a methodological background developed by the Collective Leadership Institute (CLI) and drawing on its 2 years of extensive experience with the African Cashew initiative (ACi), the chapter elaborates on eight key factors for the success of complex stakeholder partnerships and illustrates their relevance with a series of examples from the initiative.

Introduction

The implementation of sustainable development efforts often requires finding joint solutions to complex challenges and cooperation between different societal actors in order to pool expertise, experiences and resources (Kuenkel et al. 2011). Such cross-sector stakeholder partnerships require patience and persistence, but, when managed well, they can build the cross-sector stability we need to address global challenges and find innovative solutions. Any attempt to initiate, implement or facilitate such cooperation processes is an intervention into a fragile and often controversial system of actors. So, it requires careful attention to the *quality of the process*, the quality of relationships and interaction among stakeholders (Armistead et al.

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2007), as well as to the quality of the formal and informal structures that are created to make the cooperation work (Bryson et al. 2006).

Complex cooperation processes in sustainable development may be influenced by external factors that the initiators have little power over, such as political instability or economic crises. But most factors crucial for the success of such initiatives actually can be influenced to a certain degree. These factors – in combination – can determine the quality of a cooperation process and, eventually, contribute to its success. Paying attention to them helps to maintain the dynamic, to keep stakeholders sufficiently involved and finally to achieve tangible outcomes or successful implementation.

In the field of international cooperation, value chain promotion has become increasingly interesting for testing innovative models for alleviating poverty, not only for development agencies, but also for governments and for advocates of sustainable economic and environmental development in the private sector.

This chapter will briefly outline the context in which the following examples are set, that of the African Cashew initiative (ACi). The subsequent section will briefly lay out the methodological background developed by the Collective Leadership Institute on which the key factors are based (*The Dialogic Change Model*). Drawing on the Collective Leadership Institute's two years of extensive experience with the ACi, this chapter will discuss eight key factors for the success of complex stakeholder partnerships and illustrate their relevance with examples from the initiative. Finally, the lessons learned will be summed up in the conclusion.

Context and Background of the African Cashew initiative

Before discussing the key factors with the help of examples from the African Cashew initiative, a brief overview of the ACi and its objectives will help put the overall project into context.

Funded by the Bill & Melinda Gates Foundation (BMGF), the German Federal Ministry of Economic Cooperation and Development and Private Sector partners, ACi aims at increasing the competitiveness of African producers in Benin, Burkina Faso, Côte d'Ivoire, Ghana and Mozambique and thus contribute to sustainably reduce poverty in these regions. Currently (2010), approximately 40 % of all cashews produced globally come from small scale African farmers most of whom live in rural areas and struggle to earn US$100 per year from cashew production. ACi targets the entire cashew value chain. For example, it is teaching farmers better entrepreneurial practices and farming techniques; advising African cashew processing companies on business and technology issues as well as attempting to increase their access to credit; and promoting African cashew brands on the world market. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH plays a lead role in this project, which it is implementing with three other international implementing partners: the African Cashew Alliance (ACA), FairMatch Support (FMS), and Technoserve (TNS). Further stakeholders are farmer cooperatives,

traders, local processors, and a number of large global private sector companies (OLAM, Kraft Foods, Intersnack and SAP) who all contribute to the project and allocate resources.

The initiative's overall objective is the sustainable success of the African cashew industry. This success is driven by three main forces:

I. Sustainable growth in production and farming income
II. Sustainable success in local processing
III. Sustainable supply chains

Higher cashew production income and volume per farmer are seen as the major drivers for force I, as well as additional income through small-scale processing. Force II aims at increasing processing volumes and productivity, improving quality standards (e.g., that meet international demands), increasing the marketability of by-products, and improving financing and trade conditions. Force III largely concentrates on building loyal relationships between farmer business organizations and processors, and improving transparency on potential factors contributing to increased quality and to an enabling investment environment.

The initiative focuses on the creation of additional income for small scale farmers, the creation of new jobs in the processing industry, improvements in cashew nut quality and increased yields at the level of production, and the expansion of improved cashew processing on medium and large scales. In addition, ACi aims at improving market linkages along the value chain, promoting African cashew on the world market and improving the framework conditions for investments and business activities in the selected cashew value chains. It is currently implemented in five countries: Ghana, Benin, Burkina Faso, Côte d'Ivoire and Mozambique.

Not only the roles of national governments and civil society, but also the role of the initiative's private sector partners is gaining in importance. It is becoming increasingly clear that not only harnessing the financial resources of the private sector, but rather tapping in on the entrepreneurial, innovative, and managerial capacities of businesses at all scales will help contribute to improving the social and economic objectives of the ACi.

There is the challenge of constantly ensuring sufficient coordination and integration of the partners' activities and different stakeholder expectations, but also the need to navigate between very different organizational cultures and subsequent perspectives. One of the key challenges lies in creating alignment in implementation and a collective commitment to fast mutual learning (see also Hamann et al. 2015). Ultimately, ACi can only be successful if it succeeds in inspiring and capacitating all stakeholders targeted by the initiative to take up the support being offered and develop it further into a long-lasting economic development of the sector. This requires strong management with a coherent implementation strategy, which all implementing and funding actors can identify with. However, it also requires tailor-made strategies for each individual country in order to adequately cultivate a sense of ownership for the initiative's goals on the ground.

Key Concepts

The key factors have been elaborated with reference to the different phases of a stakeholder partnership as defined in the Collective Leadership Institute's *Dialogic Change Model* (Kuenkel et al. 2011), a tool which assists the result-oriented, structured planning and implementation of a stakeholder dialogue/partnership in four phases. The following eight key factors are based on the experience of practitioners and illustrated here (Kuenkel et al. 2008). In the following section of this chapter more detail is given for each of the key factors and reference is made to the African Cashew initiative with a supporting example (Fig. 10.1).

The Dialogic Change Model

The differentiation of four phases in a stakeholder partnership has proven helpful in taking all demands and requirements of the different phases of a partnership process into account and preparing them adequately.

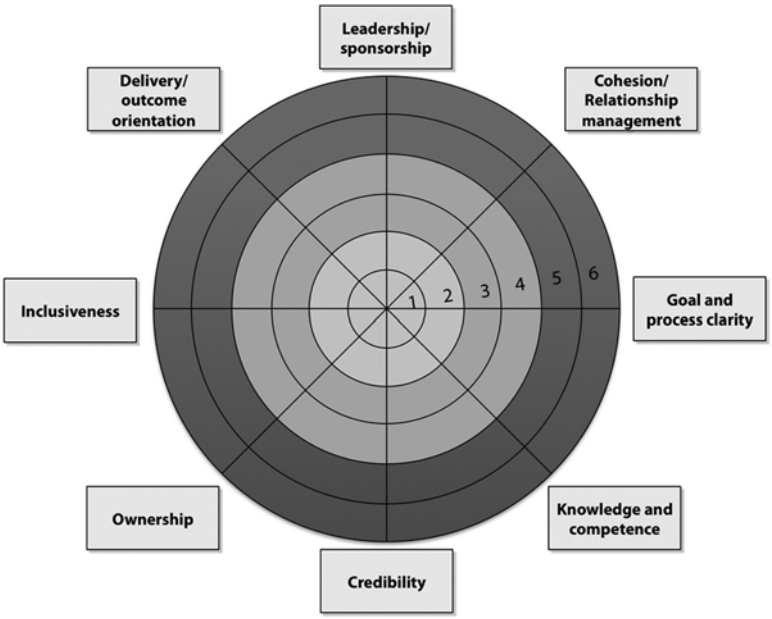

Fig. 10.1 Eight key factors for the successful implementation of stakeholder partnerships (Taken from Kuenkel et al. 2011)

Phase 1: Exploring and Engaging

In Phase 1 stakeholders explore the stakeholder partnership's context, taking other existing initiatives and the people involved into account. This requires understanding the external context, the factors that will influence the dialogue, and the dynamics of the complex system in which the stakeholder partnership will take place. Here, personal engagement through informal conversations, stakeholder mapping and a thorough context analysis can play an important role.

Phase 2: Building and Formalizing

Phase 2 is geared toward consolidating the system of stakeholder collaboration and formalizing stakeholders' commitment to change. The objective of this phase is to find an appropriate formal structure for moving an initiative forward and to build a stable collaborative system for implementation for which goals are agreed upon jointly, and roles and resources are formally defined. Phase 2 could be defined by a formal stakeholder meeting and the signing of an initial Memorandum of Understanding (MoU).

Phase 3: Implementing and Evaluating

This phase can be seen as the actual implementation of planned activities and includes the establishment of an internal stakeholder partnership monitoring system to ensure results and learning. Its focus is on creating visible results in a reasonable timeframe so that all actors involved can see the success of the stakeholder partnership. Phase 3 may be characterized by the establishment of formal steering, reporting, communications, and learning structures.

Phase 4: Developing Further, Replicating or Institutionalizing

Once a stakeholder partnership has reached the agreed-upon results, the question remains whether an initiative should stop there, or if it should be further developed. If the desired goal has been achieved, success should be adequately celebrated: participation and contributions of individual stakeholder groups should be acknowledged and appreciated. At this stage, it may be deemed necessary to institutionalize a partnership in order to create more sustainable results.

If conducted correctly, a stakeholder partnership can ultimately ease the implementation processes and help attain sustainable results because actors will have begun to perceive reality and other's points of view from a new perspective.

Key Factors for the Successful Implementation of Stakeholder Partnerships: The Case of the African Cashew initiative

The next section elaborates on the eight key factors for the successful implementation of stakeholder partnerships and attempts to demonstrate their relevance based on examples from the ACi.

Key Factor 1: Leadership and High Level Sponsorship

The initial collaboration in a complex stakeholder cooperation such as the ACi can be brokered/initiated by a credible (see factor 5) high-level individual or organization. Most stakeholder cooperation projects build on past, often fragmented project experience and attempt to strengthen impact by aligning the efforts of different stakeholders. Hence, it is often practitioners in the field who draw attention to an issue and bring in a powerful sponsor or organization. Legitimacy within a group of stakeholders (Crosby and Bryson 2005) is key at the onset, as initiators need a mandate to start the collaboration process. More generally, initiating individuals can be e.g., high-level leaders, recognized for their cross-sector experience, CEOs, or politicians. They can also be large NGOs, private enterprises or foundations. High level sponsorship is vital for the successful launch of a collaboration process.

In Phase 1 (exploring and engaging), the ACi was initially spear-headed by practitioners with extensive experience in supporting agricultural value chains and public private partnerships. They were committed to changing the face of the African cashew industry. Drawing on the limitations but also successes of past projects by GIZ, it became clear that any support for African cashew farmers and processors would require an integrated and market driven approach. Designing a project of such scale required an intense engagement process not only within GIZ itself, but also among key actors along the entire value chain, as well as large private sector companies and potential funders. Such an engagement process requires networking leadership skills and the capacity to inspire and convince a diverse set of stakeholders with a new approach to project implementation.

Leadership in complex stakeholder partnerships requires more than just traditional leadership skills:

> "…leaders frequently have a narrow range of expertise, speak a language that can be understood only by their peers, are used to being in control, and relate to the people with whom they work as followers or subordinates rather than partners. Partnerships, by contrast, need boundary-spanning leaders who understand and appreciate partners' different perspectives, can bridge their diverse cultures, and are comfortable sharing ideas, resources and power" (Lasker et al. 2001).

Although hierarchical differences and differences in influence and power play an important role in a partnership situation, there is no disciplinary hierarchy between

stakeholders, no leader who has the final say in what needs to happen. Leadership is therefore the capacity to engage (Armistead et al. 2007), which stakeholders need to develop jointly. Stakeholder partnerships thrive on a combination of passionate drivers and a spirit of collective responsibility for change. But they also need to take influential actors into account: obtaining their support can be a crucial success factor (Kuenkel et al. 2011).

In the context of the ACi, it took great coordination to not only manage the project, but also to create synergy between organizations that approach implementation with differing philosophies. Indeed, no formal disciplinary hierarchy exists between the partners at country level, but nonetheless the initiative's overall success depends on their effective collaboration. As noted above, collaboration under these circumstances rests greatly on the ability of leaders on every level to engage partners and create synergies within the partnership structure. This can be done by drawing on a variety of strategies based on the different 'theories of change' of each partner (see also McLachlan et al. 2015). This said, private sector partners tended to assess the project's progress in a framework typical for internal performance appraisal in large enterprises, while expectations on how to lead such a complex system were very different for partners experienced in development cooperation. Balancing the different elements of 'management' and 'leadership' was not uniquely an ACi challenge, but rather a constant in any stakeholder partnership which should not be underestimated (see also Moore 2015).

Key Factor 2: Cohesion and Relationship Management

Under the assumption that successful partnerships are key to achieving sustainable results, stakeholders need to move from an individual project management style into collaborative action (Glasbergen 2011). Therefore, creating an atmosphere of mutual trust is essential. This requires putting a particular emphasis on building and maintaining relationships with and between the different stakeholders involved in a cooperation process (Kuenkel et al. 2011) and an appropriate platform for doing this (see also McLachlan et al. 2015).

During the first 2 years of implementation, considerable effort went into building alignment between the different partners. Although objectives, roles and responsibilities (see Phase 2: building and formalizing) had been clarified with all involved partners and a management structure (see above) had been set up, much work had to be invested in creating the level of alignment required for a successful implementation phase. In the beginning there was a strong tendency toward 'insular' implementation by the different partners with limited learning mechanisms or opportunities to exchange on progress. However, the higher the demands on the individual country teams grew, the clearer it became that only a fine-tuned 'joint' effort could ensure delivery. Hence, management needed to set up a structured dialogue of strategic learning and innovation meetings, implementing partners meetings, and management retreats. They all served to enhance identification of all partners with their

common goals, align implementation activities, optimize the coordination of efforts, and jointly monitor success. This structure provided a platform for "leaders from different parts of the food to communicate with each other and to build trusting relationships across disciplinary, sectoral and organizational boundaries […] and a 'safe space' for in-depth reflection and authentic communication" (McLachlan et al. 2015).

However, cross-sector stakeholder partnerships such as the ACi can be intrinsically more problematic than, for example, intra-sector partnerships such as business-to-business relationships. Based on the pure nature of such partnerships, stakeholders are often forced to assume roles and responsibilities which may be partly incompatible with their core competencies or the way they are used to operate (Waddell 2005). Specifically, diverging world views, languages, and different approaches to problem-solving, to project management and to monitoring progress can cause slowdowns which can hamper the project's progress (compare also the experiences of the partnership case study provided by Moore 2015).

A prime example of the different 'languages' spoken by the private sector, the donors, and the German development agency GIZ arose just before the second ACi steering committee meeting in September 2010. In addition to the existing project proposal with agreed upon objectives and milestones, the lead agency was asked by the principal donor BMGF to produce a 'road map' as an additional planning tool for the project's further implementation and to highlight its "critical path" as well as key performance indicators. As much as this helped to re-align private sector companies and enhance their confidence in the project's delivery, the other agencies, particularly those more familiar with project and monitoring tools used within development cooperation, initially regarded the new tool more as a burden complicating the implementation and reporting than as a helpful management instrument. The process of creating the roadmap did, however, help create a stronger sense of focus and in the long run led to a stronger management capacity to adjust the initiative's strategy based on the areas of focus. This strategy could also be more easily adapted for the specificities of each of the ACi countries.

Before any of the partners can reap the mutual benefits of such a stakeholder partnership, there first must be an inner shift in attitude and a genuine willingness to collaborate. If actors only move to assert their respective missions and the priority of their value propositions, building and maintaining trust based relationships can be difficult (see Moore 2015). The core group of stakeholders, in this case the GIZ management of the ACi, needed to constantly manage relationships with the individual partners, and maintain a certain level of trust within the ACi partnership. This is achieved through the principles of transparency and participation (Kuenkel et al. 2011) and the recognition that equity and accountability in interpersonal interaction/communication are relevant.

One example of how ACi encouraged cross-border relationship building was the establishment of the country coordinators' meeting. Early in the project, the five country coordinators were hired and had contact only with the project's top-management, but had no chance to directly interact and exchange during the formal meetings. However, it became quickly apparent that in order to carry out their

duties, they needed the input of their colleagues, who were faced with similar situations and difficulties in their own countries.

Key Factor 3: Goal and Process Clarity

People engage when they see the bigger picture and understand how they can contribute to positive change. Clarity about goals and about process go hand in hand in stakeholder partnerships. Although the purpose of bringing stakeholders together is often clear to the core group, this does not necessarily mean that the goal is understood or even agreed upon between all invited stakeholders.

Often – particularly in stakeholder consultation, for example – the goal remains vague, and participating stakeholders feel more like observers than engaged participants. But even when the goal seems to be clear, it needs to be developed further, adjusted, or reshaped by all main stakeholders involved. Developing an agreed-upon goal and pushing the stakeholder partnership towards outcomes requires solid process architecture. The road ahead may look unpredictable despite written up project plans, so stakeholders want to know what to expect, and when. Keeping the goal high helps stakeholders to connect emotionally, and clarity on process planning provides the minimum level of certainty that people require to stay engaged. Goal and process clarity support each other: the less developed, more changeable and more distant the goal, the more reliability the process needs to offer (Kuenkel et al. 2011).

One ACi process involved adapting some of the initiative's goals to better reflect the realities on the ground based on the experience to date. Redrawing the project roadmap, although initially difficult, turned out to become a process which helped all actors the see the 'big picture'. They were thus able to see the challenges and the complementary of their contributions (see also Moore 2015). A more comprehensive document emerged outlining the rationale behind each of the initiative's objectives and their interconnectivity using a logic tree. Additionally the current status of major progress indicators were displayed in a dashboard containing selected graphs. Eventually, the new road map helped create a greater sense of ownership for the initiative's objectives on the whole.

Key Factor 4: Knowledge and Competence

Trust can be based on both the competence and on the perceived intentions of either individuals or organizations (Nooteboom 2006). As stakeholder partnerships take place around content issues and delivery, expertise and information need to be provided in a way that helps stakeholders to see the issue's full picture. If one partner's shortcomings are due to a lack of competence, then capacity-building (particularly for weaker stakeholder groups) may be an option to help strengthen their voices and

improve the quality of their contributions, e.g., educating stakeholders about the concepts, information, and tools that are key to its work (Keast et al. 2004). Stakeholders should be confident that the right competencies are present within the wider group, but not necessarily in each individual (Nooteboom 1999).

Stakeholder partnerships build on the emergence of collective intelligence and the assumption that integrating different interests and competence leads to joint progress. Both aspects require expertise, experience and knowledge in the understanding of content, as well as the capability to collaborate constructively (cf. also Hamann et al. 2015 and McLachlan et al. 2015). Nonetheless, the experience that stakeholders bring into a partnership need to be aligned (Madden 2010).

The value of mutual learning in stakeholder partnerships has already been highlighted by Hamann, Methner and Nilsson in Chap. 5 of this volume and the topics of learning and innovation also played a central role in the ACi's steering structure. Over the course 2010–2011, alongside the usual steering committee and implementing partner meetings, an extra 1–2 days were set aside for the sharing of experience and lessons learned all along the value chain. Additionally, elements of capacity building such as new tools and methods were introduced at the meetings to help strengthen all stakeholders' comprehension of the cashew sector as a whole and specificities of each of the countries where the project was active. This turned out to be an important element as new industry developments and research results could be quickly assessed and integrated into the initiatives strategy.

If partnerships lack knowledge and competence, the consultation, decision-making or implementation process they intend to deliver will be inadequate for the achievement of the goal.

Key Factor 5: Credibility

Partnerships need credibility to be effective. Credibility involves a number of factors, which are discussed briefly here.

Firstly, the reputation, neutrality and credibility of the initiator, convener or facilitator are especially important to lend credibility and legitimacy to the initiative and facilitate collaboration (Gray 1989). Secondly, it is important that all stakeholder groups be equally represented in the dialogue process in order to remain credible not only to stakeholders within the process, but also to those observing it. ACi worked hard to assure that the initiative's steering committee be composed of members from the entire value chain. This in turn improved the transparency of decision-making, as all stakeholder groups were involved in the process.

Thirdly, the reliability with which recommendations or inputs from different stakeholders are taken into account can affect the overall credibility of the decision-making process.

Finally, how embedded the Stakeholder partnership is in relevant societal processes also contributes to its credibility. Scholars call this the degree of *structural embeddedness* (Bryson et al. 2006; see also Bland and Hamann 2015). The more partners have interacted in positive ways in the past, the more social mechanisms will enable coordination and safeguard exchange (Jones et al. 1997).

The ACi planned to develop national stakeholder platforms in two of the countries (Ghana and Benin) in which it is active. An effort was being made to integrate this effort into previously existing national structures to avoid doublings but more importantly to empower local structures to take on the initiative's objectives (see Phase 3: implementing and evaluating). The objective of forming the national platforms was to capacitate the industry to grow to a stage where they can advocate for an enabling environment for the cashew industry and negotiate better conditions for improved business in their various countries.

The more credible a stakeholder partnership is the more likely participants will identify with the goal and the process and will justify their participation in the stakeholder partnership to their constituencies.

Key Factor 6: Inclusivity

Stakeholder partnerships that exclude important stakeholders will lose credibility and will cause mistrust among non-participating stakeholders. They will also be less effective, because stakeholders who are important for implementing or supporting results are absent from the dialogue process. In a study in the health sector in the US, Weiss et al. (2002) identify one of the main indicators for the effectiveness of leadership in stakeholder partnerships as being the degree of inclusiveness and openness exhibited in the collaboration process.

Integrating stakeholder groups with weaker voices, such as the poor, small or informal businesses, communities, women's groups, small NGOs, and so on, is important to ensure that participants can base their decisions on a broader picture (see also Moore 2015). Inclusivity, however, does not mean including everybody: the art herein is to find out, which stakeholders can help to create the change in thinking and acting that the stakeholder partnership requires.

With the help of African Cashew Alliance (ACA) as one implementing partner, steering committee structures were created on the national level, which included representatives from the local governments, local business and farmer associations, and were involved in the initial milestone revision and planning which took place in each country. These structures were then also represented in the initiative's own steering committee which meets twice annually to review progress and revise the initiative's overall strategy.

However, the exact composition of the steering structures at the project level was a constant subject of debate. The private sector partners tended to prefer an

'exclusive' steering body, reducing the number of individuals to a selected few, whereas the public partner and lead implementing body GIZ tended to be overly inclusive, preferring to leave the composition of the steering committee open.

Who should be a member and under what conditions stakeholders should be allowed to have a say in strategic decision-making processes plays an important role in how less powerful stakeholders perceive the legitimacy of the initiative and therefore to what degree they take ownership of the decisions made and their implementation.

Key Factor 7: Ownership

People implement what they have helped to create. Ownership develops when the goal of the stakeholder partnership is relevant to all stakeholders and when they perceive that their contribution counts. Keeping people engaged is an important road to success. If participants in a dialogue process have the impression that their recommendations are not being implemented and feel that their concerns and perspectives are not being taken into account, there is a high probability that they will reduce their engagement and fail to implement decisions, become passive observers, or completely withdraw from the process altogether. Authentic participation in the way contributions are handled, workshops are run and communication takes place, ensures ownership (Kuenkel et al. 2011).

It has become clear that the value of the private sector's contribution stakeholder partnerships goes well beyond their financial resources. Tapping into their entrepreneurial, innovative, and managerial capacities is an invaluable contribution to improving the initiative's social and economic objectives.

By revisiting the private sector's role, the private sector partners' ownership for concrete processes in ACi took a leap forward. They took the initiative in identifying processes within the initiative's current configuration where they could get involved or test innovative ideas. One example of this is the SAP-ACi partnership "Virtual Cooperatives", which aimed to provide solutions related to market linkages and overall transparency within the Cashew production and processing value chain. Information and Communication Technologies (ICT) provide the means to enhance the productivity of Cashew farmers, to strengthen farmer cooperatives, and to enable them to do collaborative business with the established economy in a transparent and sustainable way (ACA newsletter, August, 2011).

If a group of stakeholders is going to invest resources in implementation, it is critical that the actors involved in a stakeholder partnership have a joint ownership of the strategies being developed. Not all stakeholders can contribute equally to the solution, as each partner comes with different types and scale of resources. However, it is important not to focus simply upon the outcome, but to also maintain the acute awareness that the process itself and building of relationships is part of the outcome (Waddell and Brown 1997).

Key Factor 8: Delivery and Outcome-Orientation

Bryson et al. (2006) argues that the main objective of cross-sector partnerships should be the creation of sustainable 'public value' that would not otherwise be created by a single sector alone. This is most likely to occur by making use of each sector's characteristic strengths while also finding ways to minimize, overcome, or compensate for each sector's characteristic weaknesses. Focus on outcomes is a prerequisite for commitment, particularly in Phase 3 (implementing and evaluating).

As a time-bound implementation initiative, the ACi focus was on delivery. And although implementation may have been slow and complex in the five pilot countries, there was a need to regularly report results in an aggregated way to keep the funders engaged.

Proprietary reporting formats which the different sectors often take for granted, obviously play a major role in keeping players engaged. Private sector expectations such as quarterly reports, key performance and cost indicators (KPIs & KCIs), and project dashboards are in most cases not the norm for development projects. On the other hand, descriptive reports and activity-reporting typical for development cooperation appear to the private sector as being vague, unsubstantiated and lacking in concrete results. Hence, despite the fact that all expected results have been laid down in writing in an initial project proposal, the way to get there, the speed with which to get there and above all, the evidence of achievements in a complex development and market environment remained a continuous point of discussion among the collaborating stakeholder within ACi.

As discussed in the introduction to this volume, collaboration processes themselves are often the source of social and environmental innovation. However, concrete outcomes are still essential to maintaining ownership and momentum in any stakeholder partnership. Decisions and programmes that produce concrete results on the issues that originally motivated the partnership are critical to keeping the partners' interest high, and their evaluation positive. Stakeholder partnerships are more effective when their members pay attention to both process and product (Waddell and Brown 1997).

Conclusions and Implications for Practice

Project set-ups such as that of the ACi are becoming more and more common due to larger scale interventions and change initiatives which are gradually choosing cross-sector approaches and becoming increasingly international, both in their organization and their implementation. This means that improving collaboration between NGOs, the public sector, the private sector and development agencies will remain a major topic on the agenda for sustainable change for the foreseeable future.

This gradual shift in paradigms requires an exchange of best practices and an evaluation of approaches which have succeeded or failed in the type of complex

context described in this chapter. This also means that there can be no premature answer as to how best to design a cross-sector initiative which aims to have an impact in individual countries, across borders languages and cultures. This is especially true for those value chain actors who have tended to be at the receiving end of global market changes. However, the valuable learning from the experiences with the ACi can be summarized as follows:

The complexities of setting up a multi-country and multi-stakeholder project of this scale were underestimated at the outset. Equally underestimated/undervalued was the necessary time and effort required to carry out a sufficient engagement process both at the regional level and at the country level.

The capacity to design this engagement process is not fully synonymous with traditional project management skills. In practice, this implicates the possibility of bringing in professional external support or an expert stakeholder broker to assist in designing, implementing and monitoring the stakeholder partnership process.

Further, the implementation styles of the public and private partners were, in the case of the ACi, difficult to reconcile. Private sector driven implementation may not always take into account the complexity 'on the ground' in the individual countries. The considerable distance in understanding world views between funders and beneficiaries was equally difficult to overcome. This implies that future initiatives should pay more attention to such possible dissonances during the planning phase. This should take into account the mutual learning opportunities which can arise from cross-sector collaboration: both the NGO style and the private sector style have their advantages and disadvantages. Stakeholder partnerships such as ACi should integrate cross-sector learning opportunities into their project design. However all actors involved must be open to a different approach, e.g., key performance indicators that truly reflect the nature of development work.

As much as a matching fund[1] approach can help get private sector companies on board by offering them the possibility to make in-kind contributions, a stronger direct involvement of the private sector in actual implementation work streams (e.g., SAP) is the true key for success. This example shows a partner which moved from a simple supervisory function to being an active collaborator in the implementation process.

Stakeholder partnerships and stakeholder dialogue initiatives require more than just patience and long-term commitment. This chapter has outlined the key factors which have and will continue to impact the outcomes of stakeholder partnerships such as the African Cashew initiative, demonstrating how, when well-managed, they can build the cross-sector stability needed to address global challenges. Stakeholder partnerships are not a recipe for every problem and do not work according to an exact blue print. Beyond their complexity and complication they have qualities that are of high value for strategically oriented projects, because they provide in-depth experience of all stakeholders' perspectives.

[1] Matching funds matches donations made by organizations contributing cash or in-kind dollar-for-dollar.

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Part V
Social Innovation and the Role of Higher Education

Chapter 11
The Social Innovation Lab: An Experiment in the Pedagogy of Institutional Work

Warren Nilsson, Francois Bonnici, and Eliada Wosu Griffin-EL

Abstract The Social Innovation Lab is a pedagogical experiment within the MBA programme of the University of Cape Town Graduate School of Business. Exploring social innovation through the lens of institutional work, the Lab asks participants, who have not formerly identified themselves as social change agents, to begin to think and act like system innovators. The Lab develops an action heuristic by drawing on research in the fields of institutional theory, positive organizational scholarship, critical pedagogy, network theory, and stakeholder engagement, among others. This heuristic focuses on shifting from a corrective action lens to a transformative action lens. Using this lens, Lab participants engage in real-world, real-time social innovation projects of their own devising.

Social Innovation as Institutional Work

The course is rooted in a perspective on social innovation that focuses on systemic impact. From this perspective social innovations are evaluated not only for their immediate social benefit but also for the degree to which they involve shifts in underlying social patterns. Westley and Antadze capture the systemic element in their definition of social innovation as "a complex process of introducing new products, processes or programmes that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which the innovation occurs" (2010: 2).

The systemic perspective draws on institutional theory in sociology and presumes that social innovators need to develop ways of surfacing and engaging

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with the deep, often hidden, patterns of relationship and practice that undergird social structure (Lawrence et al. 2012). It also draws on emerging arguments in the practitioner-oriented business literature that see concepts like shared value creation (Porter and Kramer 2011), base of the pyramid engagement (Hart 2007) and disruptive innovation for social change (Christensen et al. 2006) as revolutionary not evolutionary in that, when applied deeply and authentically enough, they can challenge many of the fundamental features of modern capitalism (Driver 2012). From this systemic perspective, social innovators are essentially institutional entrepreneurs (Weber 2012). They engage in "institutional work," purposive activity aimed at creating, maintaining, and/or disrupting institutionalized patterns (Lawrence et al. 2011; Lawrence and Suddaby 2006).

The view of agency that is emerging from research into institutional work is quite different from traditional portraits of heroic entrepreneurship. Institutional agency is often distributed, something that arises from the intentional activities of many interacting agents rather than from the unified vision of an entrepreneur (Dorado 2005; Lawrence et al. 2011; Perkmann and Spicer 2008). Distributed agency is particularly likely in the case of complex social issues (Dorado 2005), driven by multiple institutional logics (Pache and Chowdhury 2012; Thornton and Ocasio 2008) that are often in conflict with each other (Battilana and Dorado 2010; Hargrave and Van de Ven 2009; Jarzabkowski et al. 2009). Because institutional agency is distributed, social innovators do not have as much 'autonomy' as commercial entrepreneurs (Howorth et al. 2012: 373) and must often focus less on product development and diffusion and more on modes of collaboration. Institutional innovation is frequently sparked by actors in boundary positions. Because they span multiple institutional fields, boundary actors are able to synthesize divergent institutional logics and build collaborative inter-field networks (Greenwood and Hinings 1996; Greenwood and Suddaby 2006; Maguire et al. 2004).

We have designed the Social Innovation Lab to help students develop the mindsets, skills, and experiences necessary to engage in institutional work. We have framed the course around an integrative action heuristic that offers practice guidelines for catalysing distributed innovation in complex social systems. We describe that heuristic below.

Transformation vs. Correction: A Social Innovation Heuristic

Many social innovation and entrepreneurship courses encourage participants to develop a theory of change, "a theory of one's desired social change outcomes and a means by which to produce them" (Miller et al. 2012: 362). Under the assumption that social innovation is a highly unpredictable and emergent process, we have anchored the course not in a change theory but in an action heuristic. This heuristic offers a guide to action predicated upon a shift from a corrective mindset to a transformative mindset.

A corrective mindset attempts to fix problems. It focuses on "weaker" or failing elements of the social system and seeks to bring them into alignment with "stronger" elements. Its general orientation is toward current best practices. For example, a corrective approach to schooling would be to bring low performing schools up to the level of high performing schools. The values or dimensions on which performance is being assessed (subject testing, matriculation rates, job and university placement, etc.) would not necessarily be questioned, nor would conventional assumptions about the proper role of schooling in society be challenged.

A transformative approach, on the other hand, surfaces and challenges widely accepted logics, practices, and relationship patterns. This also entails paying attention to issues and contexts that have long been excluded or marginalized in (university) curricula, as Hall (2015) writes in the following chapter. A transformative approach then seeks to discover alternatives. The ability to challenge conventional thinking is a crucial skill for social innovators but is still not widely taught in social entrepreneurship courses (Miller et al. 2012; see also Hall 2015). Our action heuristic is based on the core assumption that this kind of transformative thinking arises primarily through collaborative, context-specific engagement across social boundaries (Hart and Sharma 2004; Reason 2006).

> We need to teach students to be more thoughtful and consultative about the solutions to be applied based on the context in which they were applied. The skills of an anthropologist and sociologist are as important as those of a business strategist when planning social entrepreneurship efforts that aim to make fundamental changes in social structures . . . We also need to ensure there is substantial local involvement in defining the problem and the objectives. Otherwise, rich-country "do-gooders" run the risk of attempting to replicate their own norms and values in locations that just don't need them (Zietsma and Tuck 2012: 515–516).

As students pursue their social innovation projects we ask them to keep in mind six specific shifts in thinking and action that we believe can help foster transformative innovation.

1. **From Problems to Possibilities**. Most of the practitioner-oriented social innovation literature suggests that the social innovation process begins with problem identification (see e.g., Mulgan 2006; Phills et al. 2008). We ask students not to ignore problems but to invert them – to shift from diagnosis to imagination. What is the social possibility implied by solving a given problem? The rationale is that a focus on what we are working toward is often more systemic and energizing than a focus on what we are working against. "How do we solve hunger?" becomes "What might sustainable food security look like?" "How do we cure disease?" becomes "What are the key drivers of health?" "How do we address unequal access to information technology?" becomes "Imagine a world where everyone is connected and tech savvy." This perspective is drawn from research into positive organizational scholarship (Cameron et al. 2003; Cameron and Spreitzer 2012), as well as mainstream innovation literature focused on the organizational capacity for continued innovation (e.g., Christensen 1997; Van de Ven et al. 1999).

2. **From Gaps to Strengths**. This shift suggests that it is more catalytic to identify and build off of current capacities in a social system than to engage primarily around what the system lacks. A focus on perceived gaps often obscures existing resources and potentials, both tangible (built infrastructure, natural resources) and intangible (social capital, cultural capital, local wisdom). This perspective is drawn from work on appreciative inquiry (Cooperrider and Srivastva 1987; Cooperrider and Skerka 2003), positive psychology (Peterson and Seligman 2003, 2004; Seligman and Csikszentmihalyi 2000), and asset-based community development (Kretzmann and McKnight 1993; Mathie and Cunningham 2003, 2005).
3. **From Service to Co-creation**. This shift challenges the service paradigm that those with more power and greater access to acknowledged resources should serve those with less. A service paradigm has great difficulty breaking out of the assumptions and beliefs undergirding current distributions of power and resources. A co-creative paradigm, on the other hand, assumes that all parts of the social system have both needs to be met and contributions to make. Co-creation is a relational process that relies on sustained, high-quality interaction across social boundaries. This kind of interaction is generative; it produces ideas that did not previously exist in any single element of the social system. This perspective draws on a wide range of theory and research, including critical pedagogy (Freire 2000), participatory action research (Gergen 2003; Reason 2003, 2006); dialogue (Isaacs 1999), stakeholder engagement (Hart and Sharma 2004), social innovation networks (Moore and Westley 2011), and the generative power of high quality connections (Dutton and Heaphy 2003).
4. **From Products and Processes to Patterns**. Although students are encouraged to develop specific products or processes, we ask them also to think about the underlying social patterns that their projects are maintaining or disrupting. The projects may be small scale, but broader regulations, norms, and beliefs are always implicated. This approach turns what may at first seem like simple, straightforward projects into dauntingly complex encounters with social structure. For example one team interested in partnering with a brewery to install a biodigester in a low-income community soon found itself grappling with issues that went far beyond the technical. What kind of relationship were they trying to build with the community? Who was 'the community' and what were its own desires for the future? Did this project connect in any way with what people in the community were looking for? Would it fundamentally change patterns of governance or access to technological knowledge, skills, and resources? What might be some negative consequences of such a project? How did this project intersect with other social issues like economics, security, health, education, etc.? In the end, the project evolved into something altogether different as the team turned its attention to creating cross-boundary dialogues so that issues like these could be explored more fully and organically prior to the development of technical projects. This perspective draws primarily from research on institutional work (Lawrence et al. 2009; Lawrence and Suddaby 2006), institutional logics

(Thornton and Ocasio 2008), and human intervention in complex adaptive systems (Holling 2001; Westley et al. 2006; Zimmerman et al. 1998).

5. **From Externalized Institutions to Internalized Institutions**. As people come to understand social innovation as institutional work, it can be easy to focus on the external manifestations of institutions– rules, governance structures, behavioural routines, explicit norms, and articulated beliefs. While acknowledging that these external forms are important, we encourage students to look at their own and others' internalizations of these forms – tacit norms and beliefs, emotional investments in existing categories and identities, hopes and fears, etc. How are institutional patterns manifested subtly in day-to-day interactions? How can we become more conscious of internalized, often contradictory, social identities in order to work more effectively on the issues those identities represent (Creed et al. 2010)? This internal emphasis reminds social innovators that we embody the institutions we are trying to change and that self-reflection and community dialogue offer some of the most immediate access to deeply tangled and sedimented institutional patterns. This perspective builds on the social constructionist roots of institutional theory in sociology (Berger and Luckmann 1967; Gergen 1999; Giddens 1984).
6. **From Development to Evolution**. We challenge course participants to be wary of constructs that suggest that social growth proceeds along a linear developmental path and that some communities are farther along this path than others. Instead, we encourage an evolutionary metaphor that suggests that change happens in nonlinear mutations that may come from any element of the social system at any time. Certainly many powerful social innovations are born in the most industrialized countries, but many are not. Innovations like participatory budgeting in Brazil, national happiness metrics in Bhutan, or constitutional human rights encoding in South Africa have much to teach every country in the world. Students are asked to look at their social innovation projects not as remedial but as potential contributions to global social evolution. This perspective draws on the history of social movements and social innovation and on the decentralized structure of current global movements focused on environmental sustainability and social justice (Hawken 2007; McAdam et al. 2001; Mulgan 2006) (Table 11.1).

The Structure of the Social Innovation Lab

The Faculty Team

Forming an integrated faculty team was key to the development of the Lab. The course includes six permanent GSB faculty members as conveners. Their academic backgrounds include environmental studies, public health, sociology, organization theory, organization development, sustainable finance, and complex adaptive

Table 11.1 A transformative action heuristic for social innovation

Corrective heuristic	Transformative heuristic	Supporting literature
Problems	Possibilities	Positive organizational scholarship; organizational learning and innovation
What is the diagnosed social or environmental problem that needs to be fixed?	*What is the imagined social or environmental possibility that might be realized?*	
Gaps	Strengths	Appreciative inquiry; positive psychology; asset-based community development
What needs or weaknesses need to be addressed?	*What resources and potentials exist to build upon?*	
Service	Co-creation	Critical pedagogy, action research, dialogue, stakeholder engagement, network theory, high quality connections
How can those with power and resources serve those without?	*How can people from all parts of the social system come together to innovate in ways that benefit the whole?*	
Products and processes	Patterns	Institutional work; institutional logics; complex adaptive systems
What kinds of innovative products and processes need to be developed to fulfil immediate social needs?	*How can those products and processes also innovate at the level of long-term belief and identity systems and relational patterns?*	
External institutions	Internal institutions	Institutional theory (sociology); structuration; social construction
What explicit rules, articulated norms, conscious beliefs, and routinized behaviours need to be changed?	*What tacit beliefs, values, identities, and experiences can be surfaced to reveal institutional complexity and possibility?*	
Development	Evolution	Social movements
How can less advanced communities catch up to more advanced communities?	*How can communities everywhere contribute creative leaps, mutations, and syntheses that help the global social system evolve?*	

systems. Their professional backgrounds include social entrepreneurship, community development, medicine, and environmental impact reporting. The Lab was co-designed by the team, and it is delivered collaboratively. We place a strong emphasis on integration, connecting individual sessions and themes to each other and to the overall course framework. Multiple faculty members attend each session to ensure that there is adequate synthesis across individual specialties.

Course Content

The course begins with an immersion consisting of eight seminars over 2 weeks. The immersion is designed to ready students quickly to go into the field and begin working on live social innovation projects. Course material includes readings, lectures, and exercises dealing with emerging trends in social innovation, complexity,

institutional theory, social networks, and social innovation finance. There are three additional full-day field symposia spread out over two terms. Symposia are held off campus at local social purpose organizations and expose students directly to current social innovation practice in South Africa.

Lab participants support their projects with additional study in related electives. They are free to customize their elective plan, but typically chose from courses like social entrepreneurship, sustainable enterprise, organizational development for social innovation, applied sustainable responsible investment, complexity organization and learning, planning new ventures, doing business in Africa, or emerging enterprise consulting. Students are also asked to integrate the research and analysis projects that are part of the MBA programme for all students into their social innovation projects.

We have based course content on the premise that social innovation is platform agnostic. Institutional change may spring from any organizational form or sector, whether commercial, social, government, or hybrid (Mulgan 2006). Course material and assignments are intended to be applicable to all sectors and organizational forms.

The Social Innovation Project

The core of the Lab is the social innovation project. Students form self-organized teams of various sizes and develop a project over the course of two terms. They have wide latitude as to the nature and structure of the project. Possibilities include:

- Developing a social enterprise (a market-based business with a primary social/environmental purpose)
- Developing a social sector organization, initiative, or movement
- Working to enhance the social innovation capacity of an existing organization, initiative, or movement (through organizational development, social marketing, networking, advocacy, project management, etc.)
- Developing and applying new technologies
- Catalysing citizen and community engagement in governance
- Enhancing design and delivery of government services in a systemically innovative way
- Fostering innovative cross-sector collaboration

Many of these types of projects clearly go well beyond the scope of what can be accomplished over the course of 5 months. One of the objectives of the course is that students learn to wrestle with different tensions almost always present in social innovation work: tensions between structure and agency, between long-term goals and the need for short-term feedback, between reflection and action, and between collaborative engagement and individual initiative. These tensions mean that each project must be evaluated with respect to its own rhythm and timeframe. Projects that involve a discrete piece of work done for an existing social purpose organization

may well be completed in 5 months. But we don't want to discourage projects with a wider scope, and we especially don't want teams developing 'student projects,' exercises mimicking real world dynamics but with little chance of impact.

Consequently, while we have a bias for action in these projects, we recognize that that action may take any number of forms and may not involve realizing the end product or service directly within the timeframe of the course. Instead, projects with longer arcs may develop prototypes or begin building networks and relationships that could ultimately enact the project.

The major deliverable for the course is an innovation plan. The innovation plan is not a business plan, though it may include some business plan elements. We ask that it discuss the following aspects of the project:

- Overview – What is the issue, problem, or possibility being addressed and what is the essence of the approach?
- Context – What are the key social, economic, and environmental factors at work? What does the political/power landscape look like? What kinds of approaches are currently being taken? What's working? What's not? What are the major opportunities and barriers?
- Action Lens – What framework or paradigm is the team using to engage with the system? What is the underlying philosophy of change? Where are the leverage points for action? How will the team develop access to those leverage points?
- Action – What steps have been taken to forward the project? What critical steps remain?
- Relationships – Who are the key stakeholders? How has the team begun to develop relationships with them? What quality of relationship is the team trying to develop?
- Resources – How will the innovation generate the resources it needs (money, time, people, voice) – both immediately and in the long-term? Is the innovation sustainable?

In the Lab's first year, projects included developing a social enterprise equity fund for an existing community incubator, working with two local organizations to foster a microfranchise development project, exploring mobile applications focused on food security, and prototyping an approach to cross-cultural video dialogues using social media. The projects achieved varying levels of success and depth. One of the clear issues that teams struggled with was how to engage with people without setting up unrealistic expectations. Team members had a limited availability to follow up on projects after completing the MBA programme, as most were entering the job market. It was important for teams to be clear about the immediate scope of their project, the project's longer-term goals, and the role that they could see themselves realistically playing in its continued development. Weekly tutorial sessions with faculty advisors offered support to the teams as they navigated through circumstances that were often both personally and systemically challenging.

Social Innovation as Identity

By and large, the MBA students who participate in the Social Innovation Lab do not initially self-identify as social change agents. They are intrigued by the concept of social innovation and are drawn to using their abilities to do good in the world, but few of them have been heavily involved in social change work prior to entering the MBA programme. Beyond immediate project development, a primary goal of the Lab is to help participants develop an identity and a sense of efficacy as social innovators (Smith and Woodworth 2012).

To this end, the Lab functions as a social innovation community of practice (Howorth et al. 2012), one that includes not only students and faculty but also the many social innovators in the field who interact with the course via projects and symposia. A snapshot from our first symposium illustrates this.

We had spent the day at RLabs, a remarkable community-driven project located in one of Cape Town's townships. Founded in 2007, the organization evolved out of a related counselling and support programme for people struggling with issues like gang violence and drugs. RLabs' initial focus was social media training, but it soon began developing its own social media applications and incubating businesses around them. Currently, RLabs trains more than 1,000 people a year, and its products have attracted more than 4,000,000 users (Low 2012). It has generated significant income from sales of its products to businesses, has recently launched an equity fund for social enterprises, and is expanding into 16 other countries by partnering with local organizations.

We spent the first part of our visit walking through the community and talking with several of the RLabs staff about their life stories. The candor and authenticity of these conversations set the tone for an afternoon of dialogue on social innovation. We began the afternoon session by briefly presenting our action heuristic categories distinguishing corrective innovation from transformative innovation. Then two dozen MBA students and a dozen RLabs staff broke into small groups to reflect on the dynamics of transformative innovation in the light of RLabs' experience.

Much of the dialogue revolved around reflecting on what was really at the heart of RLabs success. The organization's training methods are clever and its programming and development skills admirable. But most of the talk was about the quality of relationships at RLabs, the alchemical mixture of compassion, creativity, and hope that shapes the way people interact with each other there. Reviewing the flip chart notes from each of the breakout tables, it is striking how precisely and densely people were able to connect this elusive relational quality to the kinds of organizational and social change the organization pursues. The language of institutional innovation was explicit. RLabs thinks and acts less like an organization than a movement.

The room was diverse – racially, economically, culturally, educationally, experientially – but the thinking seemed genuinely co-creative. The conversation was not a case of social activists helping isolated MBA students get in touch with 'the real world.' Nor was it a case of MBA students bringing management expertise to a

grassroots setting. It was a discovery process – people seeking clues from each other as to where the world might go and how they might help it get there.

We have found that more than any kind of technical knowledge or practical experience it is this process of rich, collaborative, humble, yet fiercely hopeful inquiry that builds social innovation effectiveness and identity. We recognize the many limitations of the current form of the Lab: its short time period, its confinement within a larger MBA superstructure that is somewhat difficult to customize. But the early signs of even this limited approach are promising. As we try to puzzle out what it really means to engage in social innovation as institutional work, we know that we have barely scratched the surface of what a Social Innovation Lab might be. Even so, the many small awakenings that all of us who participate in the Lab regularly experience leave us filled with hope.

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Chapter 12
Against Inequality: Towards a Curriculum for Social and Environmental Innovation

Martin Hall

Abstract The provision of education is one of the key elements in addressing both poverty and inequality. However, now-prevalent market models for the provision of education are inappropriate for this purpose, since they render educational attainment as a positional good that may exacerbate inequality and restrict access to education to elite groups. The basis for an alternative approach was laid by Amartya Sen 30 years ago and has been further developed with particular relevance to higher education. Here, curriculum content is of particular importance. This is illustrated by reference to case studies included in this volume, as well as other recent work, pointing to viable alternatives for transformative academic programmes with the potential for realizing potential and opportunity.

Introduction

Growing inequality and increasing levels of relative poverty are of concern across the world. Extreme poverty is universally accepted as a crisis in the world's poorest countries. But there is also growing acknowledgement that increasing levels of relative poverty in highly industrialized economies need to be addressed. Moves towards sustainable social and environmental innovation will be compromised if rising levels of inequality are not addressed.

The provision of education – at all levels – is widely recognized as one of the key elements in addressing both poverty and inequality. However, now-prevalent market models for the provision of education may be insufficient for this purpose. Amartya Sen's formative concepts of capabilities and functionings provide a sound and productive basis for an expanded approach, whether for the provision of basic education, or for access to opportunities in further and higher education and training.

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Gasper (2013) frames this as a requirement for "value transition" in the face of the triple challenges of environmental risks, economic instability and socio-political "combustability", and the consequent imminence of financial collapse, pandemics, climate change, mega-terrorism and key resource shortages. These global issues, he argues, requires education provision that leads to the "critical autonomy" of the individual. In applying Sen's concept of capabilities to the university as an organization, Boni and Walker (2013) argue for the importance of broad principles of human development rather than a narrow emphasis on human capital, revenues and profit. A good education should result in graduates who have "the real possibilities and opportunities of leading a life which a person has reason to value" and who have agency, "the ability to act according to what one values" (Boni and Walker 2013: 3–4).

Nevertheless, pronounced inequalities in life circumstances – household income, employment opportunities, health, housing, education, life expectancy – seem increasingly to be accepted as an inevitable condition of the world (Hall 2012a, b). My purpose here is to challenge this assumption, and to draw debates about education policies into the nexus of work on sustainable social and environmental innovation. My focus is on South Africa and Britain, respectively among the most unequal countries in the developing and developed world. In suggesting how an appropriate curriculum for social and environmental innovation can be developed, I will draw upon rich and provocative situations set out in other chapters in this volume.

Inequality, Poverty Traps and Education

The concept of inequality can be understood variously. It evidently has a good deal to do with money, but wealth can be measured and reported in very different ways. Similarly, inequality can be experienced through lack of access to other tangible resources as well as to intangible qualities of life. The difficulty in using absolute measures of inequality is well demonstrated by the problems with the widely used "dollar a day" measure for world poverty (Deaton 2010). As David Hulme points out, absolute measures tend to make poverty a matter of "distant strangers" in "third world" countries (Hulme 2010).

Daniel Dorling's searing critique of inequality in Britain uses three criteria for relative poverty: income poverty relative to median household incomes; lack of access to basic necessities as they are understood in a person's country today; and people's own perceptions of whether or not they are poor. A person is considered poor if she meets at least two of these three criteria. Dorling finds that 16.3 % of all households in Britain today meet this definition of poverty; 5.6 % of households meet all three criteria (Dorling 2010).

Poverty and inequality are inexorably linked in South Africa, where a large proportion of households would meet any definition, including Dorling's set of three criteria. The complicating factor, which contributes to making South Africa an instructive limiting case for education policies and practices, is of course race. Statistics South Africa reports that, in 2006 – the latest report available at the time

of writing – the average household income was ZAR74,589 (about £6,200). However, at an average of ZAR280,870 (£23,400), the household income for white South Africans was 7.4 times the average income for Black African South Africans (ZAR37,711, or just over £3,000 per year: Statistics South Africa 2008).

Poverty and inequality clearly need to be understood and analysed in their complexity. One approach to this is the concept of the 'poverty trap'. In setting out the concept of the poverty trap, Bowles et al. (2006) look for mechanisms that could cause poverty to persist in whole economies, or in subgroups within economies. Specific causal factors are isolated analytically, to be addressed through appropriate public policy and targeted interventions (Sachs 2005).

Looked at in this way, a country's education system is an integral part of a prevalent poverty trap. The post-apartheid settlement created a complex set of interests that, over some two decades, has continued a trend of increasing and extreme inequality within race categories. While a minority across all race categories has benefited from this, a large majority is 'stuck' in a cycle of unemployment, very low household incomes and little access to meaningful educational opportunity.

Education has a particular role in the persistence of inequality and poverty, and access to appropriate education provision is key to breaking from poverty traps. Access to different levels of education is a strand that should run through all considerations of inequality, poverty and poverty traps. Evidently, access to education provides opportunities for individuals in their lifetimes. It is also a primary means of intergenerational economic and social change. But if education is reduced to the value of qualifications in a job market, it can assume a gatekeeping function, reinforcing or exacerbating inequality.

This point can be demonstrated through the differing implications of higher education for students from differing class backgrounds.

Reay et al. (2005) studied 500 university applicants in Britain between 1998 and 2000 from a range of schools and colleges, allowing them to understand in detail the contrasts in perceptions and actions of different categories of potential students. Those from established middle class backgrounds, aspiring to highly selective universities, live out what Reay, David and Ball call "normal biographies" – pathways that are anticipated beforehand, are grounded in the habitus of their families and often involve few decisions. These pathways are strongly supported by the institutional cultures of their schools, interlocked with the organizational mechanisms of the universities to which they aspire. Such families are "the virtuosos of university choice", that aspire to admission to the most selective universities. In sharp contrast is the habitus of working class applicants. For these potential students, pathways to higher education are characterized by doubt, ambivalence, shame and deliberative decision making: "choice for a majority involved either a process of finding out what you cannot have, what is not open for negotiation and then looking at the few options left, or a process of self-exclusion .... Material circumstances meant that a majority were operating within narrow circumscribed spaces of choice, in which the location of a university becomes crucial" (Reay et al. 2005: 85). Reay, David and Ball interpreted these potential students' situation as being "caught between two opposing shames". On the one hand, there was the risk of aspiring too high and then failing.

But on the other hand, there was the shame of under-achieving, of attending a university in which they could not be proud.

For potential students such as those from working class backgrounds in and around London, getting a degree could represent a step-wise change in circumstances. Similarly, a student from a black South African family, whose parents were denied the opportunity of education beyond the basic level because of apartheid legislation, will earn a significant amount more than his or her parents on graduation and employment. British men born in the 1950s and who gained a higher education qualification earned on average twice as much as men without such qualifications after 20 years in the labour force (Wolf 2002). In the US, the 'college premium' – the differential in median wage between those who do not have a higher education qualification and those who do – was 72 % in 2008 (Rajan 2010). For students such as these, access to educational opportunity clearly militates against inequality.

But for students whose families are already in graduate-level occupations – those with Reay, David and Ball's "normal biographies" – the benefits are less apparent. This is because the significant increase in participation in British higher education over the last 50 years has been so heavily skewed towards middle class families, diluting the transformative benefits of inter-generational social mobility. As Dorling puts it:

> "university degrees are wonderful things; it is the arranging and valuing of them by hierarchy of institution that is problematic, when people study for the label, for the university brand, rather than actually to learn. Because there were so few of them, the forerunners of today's university graduates almost all became part of a tiny elite, governing others and being rewarded with riches as a result. Because there are so many more graduates now, only a very small minority of today's university graduates can become rich at the expense of others" (Dorling 2010: 16).

Alison Wolf has argued that, for the majority of participants in higher education in highly industrialized economies, a higher education qualification is increasingly a 'positional good' that has value for competitive success in the labour market rather than for the inherent qualities that a university education confers. Such a positional good might be essential whether or not it also brings a private financial benefit. For most professions, a degree is an entry requirement and a wide range of jobs are only open to graduates, whatever the remuneration. The increasing importance of the positioning power of a degree is itself a function of widening middle-class participation in higher education:

> at a certain point in what had been a steady, slow expansion, large numbers of people started to feel that they really had better get a degree, because not doing so would be such a bad move. The first wave set off another, and so on. And their parents were very likely to agree … the question becomes less 'Does a degree pay well?' than 'Can I afford not to have one' (Wolf 2002: 178–181).

In a more recent study that focuses on the causes of the 2008 financial crisis, Raghuram Rajan takes a similar position. Rajan (2010) argues that the sustained demand for higher education qualifications in the US cannot be explained by the demand for higher order skills alone. With Wolf, Rajan sees the primary location of the skills deficit in the earlier years of education, and as a consequence of income inequality: "the problems are rooted in indifferent nutrition, socialization, and

learning in early childhood, and in dysfunctional primary and secondary schools that leave too many Americans unprepared for college" (Rajan 2010: 8–9). However, because a higher education qualification has, at the same time, become an entry requirement for higher paid jobs, the exclusion of a significant number of people from increased earnings because they do not hold this key positional good has created a political headache for successive administrations. Government has responded by making credit more easily available, particularly for acquiring homes or mortgaging homes. Rajan sees the US's failed education policies as a key fault line that contributed to the 2008 financial crisis:

> Recent technological advances now require many workers to have a college degree to carry out their tasks. But the supply of college-educated workers has not kept pace with demand – indeed, the fraction of high school graduates in every age cohort has stopped rising, having fallen slightly since the 1970s. Those who are fortunate enough to have bachelor's and advanced degrees have seen their incomes grow rapidly as the demand for graduates exceeds supply. But those who don't – seven out of ten Americans, according to the 2008 census – have seen relatively stagnant or even falling incomes … The gap between the growing technological demand for skilled workers and the lagging supply because of deficiencies in the quantity and quality of education is just one, albeit perhaps the most important, reason for growing inequality (Rajan 2010: 23).

Alison Wolf was writing in 2002, well ahead of the financial crisis and subsequent global recession, and at a time when economists confidently predicted long-term, uninterrupted, economic growth for highly industrialized countries. Even so, she predicted an inevitable fall-off in demand for higher education as the comparative value of a degree as a positional good declined with ever increasing middle class participation. She anticipated a classic S-curve: "just where and when the curve will flatten, and for how long, will depend largely on how young people and their elders perceive the job market" (Wolf 2002: 187). In other words, when the possession of a qualification becomes more of signifier of status in employment markets than a validation of advanced expertise, it will not be so much the graduate lifetime earning premium that will be the key factor in deciding whether university is worth attending, as graduate unemployment.

Taken together, these trends look like education's equivalent of a perfect storm. Access to higher education is consistently a significant means of inter-generational economic and social mobility, as students from households in non-graduate professions win places at university, graduate and set up their own households. But alongside this, the persistently lower rates of participation by working class families in contrast with their middle-class contemporaries – differences that are themselves an outcome of the inequalities that widening participation seeks to address – means that the inherent value of higher education qualifications diminishes. Rather than certifying the acquisition of higher order knowledge and analytical skills, degrees become more important as positional goods that are used to sort job seekers in a mass graduate market. However, the value of positional goods is closely related to their relative scarcity. Inevitably, as rates of middle class participation in higher education rise, so the social value of investment in a university education diminishes; there is less return for employers' investments in higher pay costs in real returns. This is reflected in the convergence of unemployment rates for those entering the

work force after secondary education, and those seeking jobs immediately after graduation. Pulling the plug on the positional value of a university degree, of course, also diminishes the value and attractiveness of university study among potential working class participants, with the result that inequality increases. At the same time, sorting effects are further attenuated as a "good degree" and enrolment in a sub-set of most selective universities becomes far more important for access to the job market.

Capabilities, Functionings and the Curriculum

We are, then, faced with a paradox. Access to educational opportunity is essential if the pernicious effects of poverty traps are to be broken. But in unequal societies, widening participation in education will devalue the 'positional value' of educational qualifications in general, promoting the recognition given to small sets of elite institutions and reinforcing the mechanisms of inequality. Resolving this paradox, I suggest, depends on moving away from the current, overbearing, concern with qualifications in themselves and focusing instead on the underlying principles of the curriculum.

The foundation for an alternative approach, as part of a wider concern with issues of equality and inequality, was laid by Amartya Sen thirty years ago. Working within the frame of mainstream economics, Sen showed how neither the concepts of "opulence" or "utility" were adequate in themselves as a theory of well-being. Opulence and utility approaches see either the narrow objective of increasing real income or the fulfilment of interests as both the driving force of development and the appropriate emphasis of public policy and lead naturally to the assumption that education is a commodity best traded in a market. Sen argues instead for a focus on the "capability to function" – what a person can do and can be, on "the achievement of a person: what he or she manages to do or to be" (Sen 1999: 7). For Sen, access to education and the ability to realize its opportunities is an unqualified good.

Sen's approach has been further developed by Martha Nussbaum, and related directly to higher education and the central role of the Humanities (Nussbaum 1997, 2010). Nussbaum – in contrast to Sen – insists on a specific list of "central capabilities": the right to a life of "normal length", good health and shelter, bodily integrity (freedom of movement, opportunities for sexual satisfaction), being able to use the senses, imagination and thought, the right to emotions, the opportunity to exercise practical reason, the right of affiliation with others, concern for other species, the right to play and laughter, and control over one's environment. These belong "first and foremost to individual persons and only derivatively to groups … at times group-based policies (for example, affirmative action) may be effective instruments in the creation of individual capabilities, but that is the only way they can be justified". Two of these central capabilities play an 'architectonic role' in organizing others: affiliation and practical reason (Nussbaum 2011: 35).

In turn again, Melanie Walker has built on both Sen and Nussbaum's work in developing a first list of key capabilities and functionings for higher education (Walker 2006, 2012). In addressing the pervasive challenges of inequality, Walker sees that it is essential to move beyond 'fairness' – providing opportunity – to ensure that every individual in education has the capability of taking advantage of such opportunities. This requires a comparison of the experiences of students based on their own, valued, achievements. Following Sen, a capability is understood as a potential functioning, and the relationship between a capability and a functioning as equivalent to the relationship between the opportunity to achieve and actual achievement.

In developing a capabilities approach to higher education, Walker places emphasis on agency (Table 12.1). This is particularly important for 'adaptive preferences' – situations where people learn not to want things because they are off-limits in terms such as gender, race or class, resulting in the internalization of a second-class status. As Walker notes, there are evident implications here for widening participation in education and for responding to the high risks involved in realizing aspirations. In stressing the importance of agency, Walker shows how the capability approach can move beyond the limitations of the idea of habitus, showing how it can be ruptured and reformed: "the capability approach offers us a means to analyse change over time, recognizing the interaction of the social and the individual and the social constraints on choice such that we might adapt to a given habitus, but also making the possibility for agency central and important" (Walker 2006: 59). Her provisional list of eight key capabilities for higher education build on Nussbaum's emphasis on practical reason, affiliation and emotions as central capabilities

Table 12.1 Capabilities for higher education

Practical reason	"being able to make well-reasoned, informed, critical, independent, intellectually acute, socially responsible, and reflective choices"
Educational resilience	"being able to navigate study, work and life"
Knowledge and imagination	"being able to gain knowledge of a chosen subject – disciplinary and/or professional – its form of academic inquiry and standards"
Learning disposition	"being able to have curiosity and desire for learning"
Social relations and social networks	"being able to participate in a group for learning, working with others to solve problems and tasks"
Respect, dignity and recognition	"being able to have respect for oneself and for and from others, being treated with dignity, not being diminished or devalued because of one's gender, social class, religion or race, valuing other languages, other religions and spiritual practices and human diversity"
Emotional integrity, emotions	"being able to develop emotions for imagination. Understanding, empathy, awareness and discernment"
Bodily integrity	"safety and freedom from all forms of physical and verbal harassment in the higher education environment"

From Walker (2006)

(Walker 2006: 128–129), and are further developed in the context of human development theory (Walker 2012: 458).

Longitudinal perspectives are key to tracking the efficacy of interventions to improve the development of capabilities through education. This is because, as Walker stresses, capabilities are counterfactual – an opportunity cannot be 'seen', or measured. Instead, functionings serve as proxies for our assumptions about which capabilities are being advanced or diminished through educational processes (Walker 2006). Put another way, the effectiveness of agency in overcoming adaptive preferences can only be evaluated through longer-term biographies, as people move through and beyond education into the application of their learning.

The value of longitudinal biographies is apparent in the first outcomes from the Inventing Adulthoods project, which followed the lives of 100 people first interviewed in four areas of England and Northern Ireland at the ages of between 11 and 17 in 1996, and then again over the next decade (http://www.lsbu.ac.uk/inventingadulthoods/). The four lives from this data set, examined in depth by Rachel Thomson (2009), give a rich and nuanced understanding of how education is perceived and experienced and the intersection of family life and personal relationships, circumstances and opportunities, and institutional resources and structures. They demonstrate Melanie Walker's point about the significance of individual agency and the ways it can rupture habitus.

A second project that tracks the longitudinal experiences of young adults as they develop agency and identity is Bongi Bangeni and Rochelle Kapp's work with 20 students at the University of Cape Town as they move through the successive years of undergraduate study (Bangeni and Kapp 2005; Kapp and Bangeni 2009). Of particular interest is the way in which Bangeni and Kapp explore the interplay between individual development and the formal curriculum and institutional culture of the university. This study works through the medium of a 3-year programme in academic writing for students whose first language is not English and who are studying in an English medium environment. The exercises in writing, in themselves, realize key capabilities of practical reason, educational resilience, knowledge, learning disposition, and respect and recognition.

Despite a prevalent interest in the philosophy and economics of capabilities set out in Sen and Nussbaum's work, and its development in the specific context of higher education, there has been only limited impact on the curriculum and on higher education policy. In Britain, this can be attributed to the overwhelming dominance of the assumption that the value of higher education is in human capital development; a degree is an investment that results in increased lifetime earnings for the individual, contributing to national economic growth and competitive advantage. As a result, policies for "widening participation" and "social mobility" assume that those previously excluded from the opportunities offered by higher education have deficits that must be corrected so that all learners enter an institution with equivalent attributes. In South Africa, the legacy of apartheid and the extent of inequality have made the issue of selection and admission far more complex, and there is a long and rich tradition of debating the role of the curriculum in effecting

equality of opportunity (see Scott et al. 2005; Hall 2012a, b). However, there is continual pressure to adopt the neo-liberal assumptions of human capital theory as a universal principle of excellence in higher education (see Davis 2013).

The assumption that the curriculum can somehow be separate from issues such as admissions policies, widening participation, social mobility and affirmative action is a category error that denies the significance of mainstream work on knowledge creation, transmission and application. The point here is not that providing opportunities for higher earnings, material benefits and a different lifestyle, and economic growth are inappropriate priorities for curriculum design; it is rather that, in themselves, they are insufficient. Knowledge is always contextualized, and the curriculum is always shaped by prevalent assumptions of – and challenges to – relevant and significant values:

> Curriculum foregrounds knowledge and how it is selected and mediated pedagogically and acquired by learners. Put more simply, it frames what counts as valid knowledge and, more widely, the range of formal learning opportunities available to students. Importantly, statements about what should be included in a curriculum exemplify what powerful groups in a society think students should learn and thereby promote their particular identities. A curriculum is thus always grounded in a moral perspective on what version of the good life is desirable. A curriculum encapsulates value judgements about what kinds of knowledge are considered important, for example the ethical dimensions of biotechnology advances, or the equal importance of exposure to arts and science for all students, or the literatures that are studied. But a curriculum further indicates with what attitudes and values students are expected to emerge in respect of the knowledge and skills they have acquired, e.g. the uses of scientific knowledge or historical understanding. As such, curriculum is a statement of intent, but there may be practical gaps between the aims of those constructing the curriculum and implementing it and what is actually learned by the students who experience the curriculum. Moreover, knowledge carried by a curriculum has significant effects and projects into anticipating and preparing for the future and future persons (Walker 2012: 449. See also Walker and Boni 2013).

Introducing questions about the curriculum into the debate about inequality and its consequences turns dominant assumptions about "widening participation" and "social mobility" on their head. Rather than thinking in terms of deficits that must be addressed to bring first generation and low-income learners into the same frame as traditional participants, we can rather think in terms of recognition and resilience. As Clegg notes, "in the United Kingdom, with participation rates among the highest social group now standing at over 80 % and hovering at less than 20 % for the least socially privileged, it is clear that students from less privileged backgrounds are likely to have exercised considerable personal resource and resilience in simply getting to university and that they are likely to be among the most intellectually able in their communities" (Clegg 2011: 95–96). The same is evidently the case in South Africa, as has been long demonstrated. Following from this, acknowledging the combination of resilience and the diversity of experience allows the development of curricula that explicitly recognize the value of different sort of knowledge and perspectives. And recognition, in turn, is essential in countering the danger of adaptive preferences in the classroom; of learning to desire what the assumptions of

the curriculum require, rather than being empowered to aspire to what one has reason to value (Deprez and Wood 2013):

> In bringing knowledge back in and returning to issues of curriculum, higher education needs to debate more openly the values and goals that students might commit to rather than assuming the values of the ideal-typical, rational, neo-liberal man. Not debating curriculum has become a way of bracketing off considerations of the values that come with an understanding of the context independence of knowledge (Clegg 2011: 102).

Towards a Curriculum for Social and Environmental Innovation

How, then, are broad concepts for a different approach to learning in, and about, a highly unequal world to be translated into specific curricula? In considering this question, I will focus on the ways in which Sen, Nussbaum and Walker's capabilities approach could be used to set the framework for learning and teaching about the business of social and environmental innovation – the focus of this volume. Getting this framework right will foreground the need to address the pernicious effects of inequality in creating the recurrent poverty traps, now endemic across both advanced and developing economies.

An obvious starting point is the selective coverage of the case studies that have shaped the narrative of the traditional curriculum. While there are now trenchant critiques of the 'base of the pyramid' strategy to address poverty and inequality (McKague et al. 2015), one of the consequences of Prahalad's work (and key to its wide popularity) has been a dramatic extension of what is acceptable as legitimate business practice, embracing examples of new and innovative approaches in India, South America, Africa and elsewhere (Prahalad 2004; Hart 2005). When incorporated into the formal university curriculum, these developments legitimate knowledge that has been previously marginalized and, in doing so, address aspects of the adaptive preferences that fuel self-selection away from educational opportunity and perpetuate poverty traps.

The outcomes emerging from Trust Africa's Investment Climate and Business Research Fund (ICBE) illustrate the value of extending legitimate knowledge in ways such as these (www.trustafrica.org). Here, successive rounds of competitive awards and careful evaluation is resulting in a set of case studies in sustainable business practices that have a feel and reach that is very different from the conventional curriculum. This direction has been set by the first of the Trust Africa case studies, published in 2009, and concerned with sustainable fishing in the Great Lakes region, and with the imperative of preserving livelihoods and raising incomes in chronically poor households in Uganda, faced with the rapid depletion of fish stocks:

> When Henry Kityo got into the fishing business eight years ago, his boat reliably pulled 40 kilograms of Nile perch daily from the fertile waters of Lake Victoria, Africa's largest lake. Now he's lucky if his crews bring in half as much. Kityo faults competitors who harvest immature fish, a practice that is decimating the Nile perch population. Smaller catches have

> driven one-third of the commercial processors out of business in the last year, imperilled the livelihoods of 200,000 fishermen, and jeopardized the daily sustenance of millions of Ugandan families. 'We want to stop illegal fishing,' says Kityo, 33. "But we don't know how" (Trust Africa 2009).

In this research, Michael Mugabira and the Uganda Management Institute addressed income disparities by first looking at sustainable practices and supply chain rigidities, based on interviews with 450 fishermen working on Lakes Victoria, Albert, and Kioga. This resulted in proposals for new technologies and government policies, based on a close understanding of a complex set of circumstances that shape everyday practices (Trust Africa 2009).

Validating new forms of knowledge in this way addresses adaptive preferences by recognizing the efficacy of a wider set of capabilities and functionings. Turning back to Reay, David and Ball's work – in a very different context – categories of previously-excluded learners can 'recognize themselves' in extended knowledge contexts such as these (Reay et al. 2005).

Of course, making such curricula transitions is never straightforward: as Bourdieu's seminal work on the university as an organization showed, knowledge is always engaged with complex sets of interests (Bourdieu 1996). In the present context, this complexity is evident in Rob Moore's study of attempts to extend the scope of long-established research paradigms in order to enable a sustainable and inclusive tourist industry (Moore 2015). In dissecting the causes of conflicts and disagreements that were continuing to exclude economically marginalized communities from the benefits of cultural and scientific assets of their land, Moore shows how the inherent interests of university-based academics, government policy-makers, large-scale landowners and poor communities differ. As with Mugabira's work on sustainable fishing in Uganda, Moore's point is that, unless the drivers of these sets of interests are fully understood, sustainable outcomes are unlikely.

Countering the effects of adaptive preferences is essential to opening access to higher education and, in the ways outlined here, makes a significant contribution to a curriculum that addresses the full dimensions of the social and environmental innovation central to sustainability. More broadly Nussbaum – and, for higher education, Walker – propose sets of 'core capabilities' that are intended as a broad platform for more detailed work. How, then, can Walker's eight core capabilities for Higher Education be interpreted in the context of a nascent curriculum for sustainability?

For practical purposes, Walker's core capabilities can be divided into two groups. A first group is to do with the personal dispositions: educational resilience ("being able to navigate study, work and life"); knowledge and imagination ("being able to gain knowledge of a chosen subject – disciplinary and/or professional – its form of academic inquiry and standards"); learning disposition ("being able to have curiosity and desire for learning"); emotional integrity ("being able to develop emotions for imagination. Understanding, empathy, awareness and discernment"); and bodily integrity ("safety and freedom from all forms of physical and verbal harassment in the higher education environment"). The personal dispositions of resilience, imagination, curiosity and emotional and physical integrity are clearly

essential to inclusion, and address the inherent value of diversity as an educational quality (Gurin et al. 2004).

Core capabilities in the second cluster can be understood as pedagogic qualities, and can be related directly to curriculum content and used to build further on the notion of countering adaptive preferences through extending the scope and reach of knowledge resources used for learning and teaching. These three capabilities are practical reason ("being able to make well-reasoned, informed, critical, independent, intellectually acute, socially responsible, and reflective choices"), social relations and social networks ("being able to participate in a group for learning, working with others to solve problems and tasks"), and respect, dignity and recognition ("being able to have respect for oneself and for and from others, being treated with dignity, not being diminished or devalued because of one's gender, social class, religion or race, valuing other languages, other religions and spiritual practices and human diversity").

First, practical reason. Widening the scope of a curriculum for social and environmental innovation along the axis of this core capability would require cases that show the process of making well-reasoned and informed choices that are socially responsible, intellectually sound and appropriately reflective. Annelies Balkema and Henny Romijn's chapter in this volume, which addresses issues for sustainable biofuel production in Tanzania, well illustrates how the competencies required to realize the capability of practical reason ("functionings", in Sen's terminology) can be developed.

Balkema and Romijn's work is concerned with the contradictions between social sustainability and commercial objectives in Jatropha cultivation, which is seen to have significant potential for producing biofuels. In brief, if the European Union objective of replacing 20 % of current petrol and diesel consumption with sustainable biofuels is to be met by 2020 (which looks increasingly unlikely), then appropriate and sustainable supply chains are essential. Jatropha (a genus that includes a number of semi-domesticated plant species) is resistant to drought and pests, and produces seeds that contain between 20 and 30 % oil that can be used in energy production. After extraction, the residual cake can be used for fish or animal feed, biomass in electricity plants, biogas, or high-quality organic fertilizer. Consequently, there is considerable interest in this aspect of the sustainable energy supply chain, both from the point of view of the needs of highly industrialized economies, for developing economies in India, Africa and South America, and in enabling poor and marginalized communities to break out of poverty traps, thereby countering the causes and consequences of income inequalities.

However attractive the broad concept of Jatropha production, Balkema and Romijn's work in Tanzania shows that realizing the value of this supply chain is peppered with complex issues and uncertain consequences – situations in which the core capability to reason in a practical, informed and considered manner is essential. For example, pro-poor local objectives such as village livelihoods and the conservation of local ecosystems immediately clash with the economic imperatives of scalability and adequate financial margins. Similarly, state-level objectives to drive up export volumes may conflict with the local consequences of moving from

low-volume outgrowing to high-volume plantation cultivation. Carbon credits are often advocated for benefits realization along the supply chain, but may militate against environmentally preferable solutions such as outgrowing because smallholder cultivation is more difficult to certify than plantation cultivation. More generally – and a contradiction inherent in all globally scaled negotiations about carbon emission reduction and climate change – the push from the rich world to maximize biofuel production in order to maintain northern and western lifestyles may be in direct contradiction with 'southern interests', that would be better served by lower volume cultivation that preserves a balance between food production and the cultivation of toxic biofuels such as Jatropha (Balkema and Romijn 2015).

Building a curriculum around detailed cases such as these serves the dual purpose of widening the scope of knowledge that is admitted to the protected 'knowledge space' of the university, and of illustrating, in a compelling and practical way, that the capability for practical reason is essential in the all-too-frequent situations in which there is no clear right or wrong conclusion or course of action.

Second, social relations and social networks. Developing this axis of core capability in the context of the kind of curriculum under consideration here needs to show the advantages of participating fully with others to address issues and achieve objectives. Group working has long been, of course, a distinctive element in university curricula; Walker's emphasis on social relations as a core capability pushes for the recognition that working within a social network can result in outcomes that are superior to the sum of individual achievements. The onus on curriculum development is to demonstrate, through contextually appropriate content, that this is indeed the case.

Turning again to this volume or exemplars of good practice, Ralph Hamann, Nadine Methner and Warren Nilsson's chapter on organizational innovation in a large South African retail firm shows how this capability can be embedded in the conceptualization of education for social and environmental innovation.

Hamann, Methner and Nilsson's case study is Woolworths, with 400 stores across South Africa and investments in other countries in Africa, the Middle East and Australia (and not to be confused with the brand of the same name in Britain and North America). Woolworths focuses on the medium to high-end market in home ware, clothes and food, where there is a requirement for demonstrable quality and attentiveness to environmental issues. Hamann, Methner and Nilsson are interested in the development of two, particularly important, business strategies, both of which demonstrate the value of social networks in, and beyond, an organization: "Farming for the Future" and "Good business journey".

Farming for the Future had its genesis in an initiative in a small group within the firm – the manager of Woolworths food business unit, a food technologist with an extensive knowledge of soil science and an environmental manager passionate about environmental issues. As with the examples of sustainable fishing in Uganda and biofuel cultivation in Tanzania, the Farming for the Future initiative was stimulated by this group's concern about the sustainability of their supply chain; the increasing evidence for decreasing productivity and problems with soil fertility, water supplies and over-use of fertilizers and pesticides. Based on models of good

practice in organic farming and 'green revolution' approaches, the initial group of advocates lobbied within the firm for a procurement policy based on sustainable farming practices. Woolworths launched Farming for the Future as policy in 2009 with a commitment that, within 3 years, all fresh food produce supply would be within its frame (Hamann et al. 2015).

Clearly, given its market orientation, adopting Farming for the Future was in Woolworths' business interests. Similarly, although suppliers' participation was voluntary, the combination of Woolworths' dominance of the fresh food retail market in South Africa and its commitment to full compliance within 3 years was a clear message along its supply chain. However, Hamann, Methner and Nilsson's point is that Farming for the Future had its genesis in the personal convictions of the founding group, working outside their formal job requirements and performance indicators; the power of what they call "social intrapreneurs". Extending this idea, it can be seen how "intrapreneurship" within an organization – in this case a retail firm, but potentially any organization – can effect significant change through effective social relations and social networking. More generally, this has been theorized and modelled through concepts such as brokerage and closure, mapping how change is initiated in and beyond and organization, spreads, and closes (Burt 2005). These are all efficacious examples of the core capability of social relations and social networks.

Woolworths' Good business journey strategy complements initiatives like Farming for the Future through setting up ways of measuring progress against commitments in ways that prioritize collective achievements through composite indicators. Pairing this case with Balkema and Romijn's study of biomass farming in Tanzania demonstrates the value in concentrating on the broad coherence of shared and appropriate objectives; the Jatropha processing company at the core of Balkema and Romijn's study was in significant difficulties because its objectives for attaining environmental sustainability and its financial performance indicators were in inherent conflict.

Again, Hamann, Methner and Nilsson show that effective and appropriate social relations within Woolworths, and with key partners, has been central to the identification of appropriate corporate objectives and systems of measurement. For example, the development of the Good business journey strategy required effective discussions across the organization on appropriate indicators and the codification of all aspects of sustainability. They conclude that the effective development of the strategy was both a business systems innovation and also the introduction of a social process of development, innovation and continuous improvement that incorporated a broad array of Woolworths' staff in social networks.

Third, respect, dignity and recognition. Developing this core capability – and its associated functionings – requires the demonstration of the efficacy of recognizing the values of diversity not just as matters of ethics, rights and corporate social responsibility, but also as assets in sustainable practices. In regard to the central theme of this chapter – the corrosive consequence of pronounced and expanding inequalities – the capability for recognizing the value of diversity requires listening to, and appreciating, the contribution of poor and marginalized communities to

sustainable solutions. Drawing again from this volume, McKague, Wheeler and Karnani's chapter, mapping out an integrated approach to reducing inequality through poverty alleviation, serves to illustrate an appropriate approach.

McKague, Wheeler and Karnani show how a key aspect of developing respect and recognition is the discipline of listening, well demonstrated through the World Bank's research series, "Voices of the Poor". These three volumes summarize the experiences of more than 60,000 people living in poverty across some 50 countries. In Amartya Sen's overview of the outcome of this massive listening exercise,

> by presenting visions of development as seen by the underdogs of society, Can Anyone Hear Us? helps us understand the real nature of development. The importance of freedom as the central feature of development emerges powerfully from these 'internal' views. These unrestrained voices deserve the attention not only of scholars and academics, but also of governments, international institutions, business communities, labor organizations, and civil society across the world. This is a marvellous introduction to development seen from inside. (www.web.worldbank.org).

Two examples from McKague, Wheeler and Karnani's chapter illustrate how this alternative perspective could shape a 'knowledge structure' for a different curriculum. Firstly, they turn to microfinancing. Microfinancing is, of course, well known through well-studied and successful cases such as Grameen Bank. However, there is significant value in recalling that the long genesis of initiatives such as Grameen Bank were founded in a close appreciation of the position, and inherent capabilities, of highly marginalized categories of poor people – in Grameen's case, impoverished women in rural Bangladesh (Yunus and Jolis 2003).

Secondly, and based on 'listening exercises' such as "Voices of the Poor", McKague, Wheeler and Karnani point to the centrality of small and medium enterprises in creating meaningful employment opportunities within the framework of appropriate government policies – an aspect wholly neglected in the corporate-oriented, top-down approach taken in formulating the base of the pyramid model. They argue that, through according respect and recognition to the experience, knowledge and aspirations of poor and marginalized communities, the significance of sustainable employment, appropriate and informed government policies and 'third sector' organizations becomes apparent (McKague et al. 2015).

Expanding the scope of the curriculum through including cases such as these contributes both to the breadth of knowledge that will be required to address key issues of social and environmental sustainability, and also to the recognition of the value of the experiences, perspectives and understandings brought to the classroom by non-traditional learners, replacing previous assumptions of deficit with a respect for the benefits of diversity. In addition, though, realizing capabilities and functionings requires active agency, allowing learners both to envisage their future lives, and to bring these about:

> a sustainable imaginary for the twenty-first century calls for rethinking the kind of education needed to enable young people to prosper individually and be capable of positively influencing social development. The European Union and the USA, among others, are faced with a worrying scenario, worsened by the economic crisis of 2008: unequal access to education, high dropout rates, widespread youth unemployment, rising cases of 'over-education', constant need for innovation and graduates' inability to relate with and shape increasingly

> complex and dynamic social situations and work environments. We are also coming to terms with a globalized world that rests on inequitable social, financial and environmental systems. Young people have complicated challenges ahead of them and evermore require multifaceted competences. Higher education institutions have both the potential and the responsibility to play a key role (Spreaficio 2013: 129).

A good example of active learner agency, of particular relevance to education for sustainability, has been the growing, student-led, momentum for curriculum reform in Economics. This movement began at the University of Manchester, central to the conceptualization of developmental economics in the 1950s, the home of the Brooks World Poverty Institute, and with a large and orthodox Department of Economics. In 2012 undergraduate students, dissatisfied with the existing curriculum, founded the Post-Crash Economics Society:

> We were inspired to start the society when hearing about the 2011 Bank of England Conference – 'Are Economics Graduates Fit for Purpose?'. At this event, leading economists from the public and private sphere came together to discuss whether economics undergraduates were being taught the right things in light of the Financial Crisis. … We in Manchester were intrigued and excited to hear about this event. The economics we were learning seemed separate from the economic reality that the world was facing, and devoid from the crisis that had made many of us interested in economics to begin with. Through our own research, we began to learn more about economics. We examined how its mainstream had begun to be dominated by a certain kind of economics, often referred to as neoclassical, at the expense of other approaches. It was decided to set up a society that would bring this discussion to Manchester. … At Post-Crash we are committed to campaigning for a change in the syllabus itself. Whilst we believe events and discussion are extremely valuable, most students won't receive the economics education they require unless the content of their degrees change. As a society, we are committed to pluralism within economics. We believe that the mainstream within the discipline has excluded all dissenting opinion, and the crisis is arguably the ultimate price of this exclusion (http://www.post-crasheconomics.com/).

Similar student societies have been formed at other universities, and Manchester's Post-Crash students have published a report that has been endorsed by leading economists outside the university and have developed an alternative curriculum that addresses the deficit they perceive in orthodox teaching, "Bubbles, Panics and Crashes". The validity of students' perspectives on their discipline – their future 'imagined selves' – have in turn been contested by academic staff in the university (Post-Crash Economics Society 2014; Cohen and Watson 2014).

The point here is not whether the Post-Crash Economics movement is right or wrong about the structure of the traditional curriculum for Economics. It is, firstly, a further demonstration of the inevitable contextualization of the curriculum. Just as Arthur Lewis pioneered Development Economics in Manchester in the 1950s, at a time when former colonies were gaining independence, challenging an earlier orthodoxy and gaining recognition for his insights in the award of the Nobel Prize for Economics in 1979, so the new challenge to orthodox rules for knowledge transmission comes at a time when many assumptions have been discredited by the 2008 financial crisis and the consequent global recession. And secondly, the formation and advocacy of the Post-Crash Economics Society demonstrates how learners can be active agents in taking ownership of their capabilities and functionings and in requiring knowledge that will address their own perceptions of their future needs.

Conclusion

In setting out the principles for a curriculum for social and environmental innovation, then, the studies in this volume complement a growing body of material that is broadening perspectives beyond traditional approaches. Together, these offer the hope of educational opportunities that address the primary causes of inequality, poverty traps and their associations and consequences. More particularly, these new approaches to social and environmental innovation can give substance to the core capabilities of practical reason, social relations and social networks, and respect, dignity and recognition. When applied in an educational context, this kind of curriculum addresses the problem of adaptive preferences and recognition, marking the value of diverse experience and perspectives and empowering people to replace assumptions of deficits with future 'imagined selves' that contribute to addressing complex and interrelated issues of sustainability.

In their introduction, Bitzer and Hamann (2015) draw the key distinction between private benefits and public goods. They point out that initiatives in social and environmental innovation require learning and knowledge exchange if they are to provide outcomes that add value to society as a whole. In this sense education, through the curriculum, is a site of innovation in itself that is essential for empowering people and communities. In turn again, access to, and empowerment through, education enables organizational learning through the people who come together in enterprises and institutions. Hamann, Methner and Nilsson's study of a large retail organization with a substantial supply chain in food products (2015) shows how individual learning and empowerment, trusted to attain positive disruption, can translate into organizational learning. In the obverse of this, Bland and Hamann (2015) show how the "striking cultural and socio-economic distance between corporate employees and BoP consumers" has constrained 'base of the pyramid' sales and marketing strategies, and limited their value. This can be seen as the consequence of a learning deficit in key decision makers inside the firm, resulting in turn in the inability of the organization as a whole to develop informed and appropriate strategies that will result in meaningful social innovation or that will address the fundamental issues of inequality and poverty traps.

The danger inherent in adaptive preferences extends from individuals and communities to regions and continents. In 2000, in a now-notorious cover, the Economist magazine declared Africa to be the "hopeless continent", in contrast to the inevitability that pace future economic progress would continue to be set in the north and west: "no one can blame Africans for the weather, but most of the continent's shortcomings owe less to acts of God than to acts of man. These acts are not exclusively African – brutality, despotism and corruption exist everywhere – but African societies, for reasons buried in their cultures, seem especially susceptible to them" (Economist 2000). Fifteen years later, things look very different. The economic orthodoxy of perpetual growth has been discredited, the global financial system has been disrupted by the worst recession since the Great Crash, lethal conflicts are endemic on every continent, most of the Millennium Development Goals have been

quietly abandoned and initiatives to addresses environmental sustainability and climate change are in disarray. Appropriately, there is a renewed and growing interest in innovations that continue to be developed in Africa, but which have long been shrouded by the assumption that Africa is inevitably a continent in deficit and dependent on the affirmative action of aid and charity.

Education in general, and the work of universities in particular, is an integral part of this re-emerging innovation landscape. The curriculum, as the set of principles and priorities that determines the quality and relative value of the generation and transmission of knowledge, is the engine room of solutions for sustainability:

> There is always a potential contribution that higher education can make to the public good. In the twenty-first century specific concerns that require our attention are sustainability and global warming, human mobility and migration and particularly contemporary diseases such as AIDS. These can be seen as contemporary manifestations of protean and oft-recurring social and natural ills such as war and conflict, food insecurity and religious and ideological rivalries – phenomena to which higher education applies its collective mind and know-how. The greater the technological advances we make, for example in health provision and communications technology, the greater the frustration that we cannot do more to make the world a better place (Leibowitz 2012: xvii).

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Chapter 10
Key Factors for the Successful Implementation of Stakeholder Partnerships: The Case of the African Cashew initiative

Petra Kuenkel and Andrew Aitken

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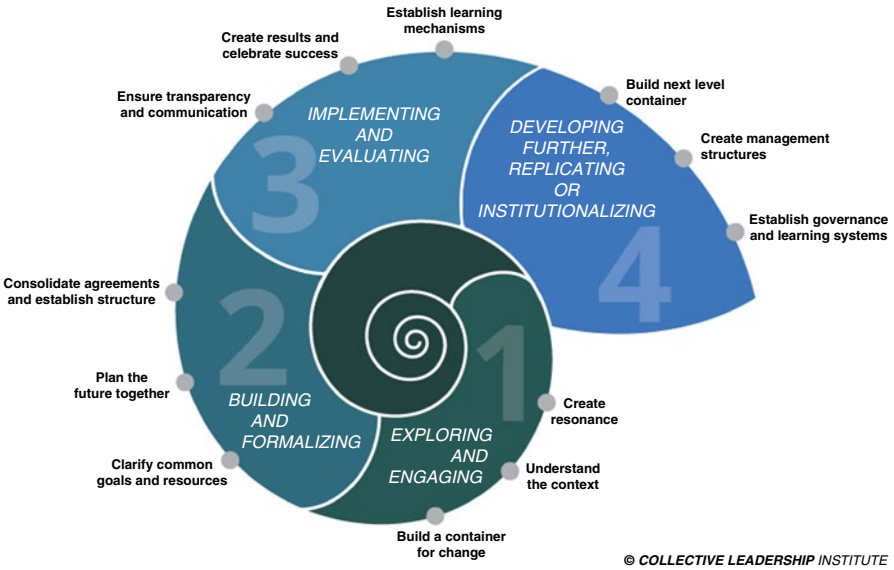
The figure 10.1 in Chapter 10, page 186 is incorrect. The correct figure The Dialogic Change Model (Taken from Kuenkel et al. 2011) is shown below:



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