



How Can We Achieve Greater Scale and Impact Supporting Small Businesses? Summary of Live Online Discussion, Tuesday, March 10, 2015

Business Fights Poverty hosted this live [online discussion](#) to mark [Global Partnership Week](#) and the launch of [our latest report](#) with the CSR Initiative at the Harvard Kennedy School, focused on a partnership between SABMiller, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), and FUNDES to train 190,000 small-scale retailers in the company's value chain.

The key question was how to achieve greater scale and impact in supporting small businesses.

A core assumption was established early on: that small businesses play vital roles in many large companies' value chains, and that by strengthening their skills and performance, large companies can strengthen their own performance, as well as catalyze development impact.

“From an aid donor perspective, value chain partnerships are some of the best “shared value” partnerships.” Jim Thompson, Director for Innovation, Office of Partnerships, US State Department

“The interesting aspect about 4e for an organization like the MIF is using this potential to reach every corner of any low-income community to deliver goods and services that can help improve standards of living.” Estrella Peinado, Senior Specialist, Multilateral Investment Fund

But while the concept was clear, participants agreed that the reality was more complex. The discussion focused on four ingredients in scale and impact supporting small businesses.

The first was a strong business case.

Participants agreed that there is a link between large companies' success and the success of the small businesses in their value chain. Justin Bakule, Executive Director of the Shared Value Initiative, pointed out that it is necessary to be precise about what that link is: is it risk reduction or growth? If the latter, is it increased sales, increased margins, enhanced brand image? Jane Nelson, Director of the CSR Initiative at the Harvard Kennedy School (CSRI), pointed out that whatever the link, it “doesn't necessarily mean the benefits will outweigh the costs of any given small business development program,” and that companies often have to partner with others to share costs. Bakule stressed that the connection between business and social value creation should be measured. “This then compels the business to increase, diminish, or shift its investment,” he said.

The second ingredient in scale and impact was technology.

Miguel Aldaz from IDB's Office of Partnerships presented convincing statistics suggesting that technology was associated with greater prosperity at the national level and greater economic opportunity at the individual level.

Participants also agreed that technology was key to reducing the cost of reaching small businesses with training. Some pushed back, reminding the group that small businesses can face serious hurdles when it comes to accessing and using technology effectively—such as cost, capability, and comfort level. Acknowledging the hurdles, others suggested that technology could nevertheless help with access to training and other business needs. All seemed to agree that technology is but a means to an end, not an end in itself. Sarah McMillan from Youth Business International and others cited blended training, in which users receive a combination of in-person and online support, as a promising approach.

“We see technology as a tool to reduce not only the digital gap but the opportunity gap.” Catalina Garcia, Sustainable Development Director, SABMiller Latin America

The third ingredient in scale and impact was an enabling policy environment.

Participants cited a range of areas where policy affects small business success (such as education, infrastructure, physical security, and access to broadband and finance) and a range of tools governments can use to incentivize and enable larger businesses to support small businesses (such as challenge funds, public procurement requirements, and government-funded but demand-led training).

Participants also discussed how best to influence government policy. According to the Shared Value Initiative's Justin Bakule, “the most important mindset shift needed is for national governments to see and embrace the private sector as an engine for helping solve social and economic issues.” He suggested that the [Social Progress Index](#) could help “remove the conversation from this “I want this, you want that” to what the conditions on the ground tell us about what's needed to advance social progress.” Andres Peñate, Vice President, Corporate Affairs for SABMiller Latin America simply stated, “We need regulations in tune with the reality of the people, and not the other way around.”

“The best way to trigger a policy change is by empowering the people currently affected by this policy.” Andres Peñate, Vice President, Corporate Affairs, SABMiller Latin America

The fourth and final ingredient—among others not included in the one-hour discussion—was broad-based partnership.

The discussion pointed to a vast and underutilised scope for broader alliances to support small businesses, though some such alliances are being pioneered. CSRI's Jane Nelson suggested that there was “enormous potential for food, beverage, and consumer products companies to collaborate with companies in the information and communications technology sectors” and that “there is precedent for companies in the same industry sector to collaborate in pre-competitive ways.” IDB's Miguel Aldaz acknowledged that “collaboration among traditionally competing brands means these means rivals must sign up for shared image and branding, something that doesn't come quite naturally to ultracompetitive entities. Large corporations almost universally recognize the need

to work in public-private partnerships. But to collaborate within their very industry? The good news, however, is that change is coming. A new era of industry collaboration is emerging.”

An Additional Opportunity for Impact: Recycling

One sub-theme receiving attention during the discussion was recycling—an opportunity for small-scale retailers in Latin America to play a community leadership role with environmental impact and income generation potential. “When asked about what they can do for their communities, many 4e retailers say: promote post consumption recycling. It is good for the community but also a potential source of extra revenue,” Catalina Garcia, Sustainable Development Director for SABMiller Latin America pointed out.

IDB’s Miguel Aldaz shared the example of a partnership among the MIF, Coca-Cola Latin America, PepsiCo, Avina Foundation, and the Latin American Wastepickers Association to build an inclusive recycling sector value chain (see www.reciclainclusivo.org).

At the end of the discussion, SABMiller’s Peñate offered “The network of retailers at the base of the pyramid offers a formidable platform for social innovation, as well as being an opportunity for all fast moving consumer goods businesses or those that are increasingly resembling them. The 4e Camino al Progreso program is a unique opportunity for companies to align their social investment programs with their business needs, for NGOs to find efficient ways to promote social change and governments to execute social policy. We at SABMiller are open to partnerships and alliances for 4e to tap this potential.”

CSRI’s Nelson concluded, “This has been a very rich discussion. What it highlights to me is the need to combine new shared value business models, technology, training, finance and public policy to make this work – to support small businesses at scale. And this suggests the need for collective action. We all need to help build the ecosystems that will enable small businesses including small retailers to succeed.”

I think the limit is the sky. Just based on our experience in Latin America, where there may be around 20 million formal small businesses (not to say the informal ones), there are opportunities in every sector.” Elfid Torres, CEO, FUNDES

Please also see the [blog series](#) on the 4e Camino al Progreso partnership featuring contributions from SABMiller Latin America and Africa, IDB, FUNDES, Salvadoran banking partner Banco Agricola, and a participating retailer.