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Business
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Empowering Small Businesses in Corporate Value Chains:

The Case of SABMiller's 4e Camino al Progreso Program

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Cover photographs: SABMiller

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Beth Jenkins

Foreword

For public and private leaders concerned with reducing global poverty and inequality, ensuring the success of the hundreds of millions of micro and small enterprises in developing countries is increasingly key to creating the 600 million new jobs that the World Bank estimates will be required by 2020 – mainly in developing countries – just to keep up with population growth.

Likewise, for SABMiller and many similar companies, there is a growing recognition of how integral micro and small businesses are to achieving commercial objectives, and the impact that successful small businesses have on the health and prosperity of local communities. SABMiller's new sustainable development ambition *Prosper* makes a specific commitment to directly supporting over half a million small enterprises by 2020 to enhance their business growth and family livelihoods.

Strengthening linkages between company value chains and small businesses is not a new concept. What is new, as detailed in this report analysing SABMiller's new *4e Camino Al Progreso* program in Latin America, is how companies are now aiming to create more sustained and transformational impact by leveraging their operational scale and strengthening the business ecosystems in which micro and small businesses operate. We explored the concept of business ecosystem strengthening in a previous report with SABMiller, *Sustaining and Scaling the Impact of Enterprise Development Programmes*, and this report builds on that work.

With an emphasis on designing program activity around the needs and drivers of small scale business owners, by combining SABMiller's core business capabilities with social investment resources, and by partnering strategically and strengthening the wider business ecosystem, SABMiller's 4e program could provide a new model for large company-led small enterprise support.

The 4e program is still a work-in-progress, with ongoing efforts to make it more sustainable, scalable, and impactful through technology, partnership, and measurement. We are grateful for SABMiller's willingness to share its experiences at this stage and we hope that this report will be a useful source of learning for businesses and development partners exploring how to support micro and small businesses more sustainably and at greater scale for commercial and social impact.

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Background and Objectives of this Report

THE IMPORTANCE OF SMALL BUSINESS

According to the International Labour Organization (ILO), micro, small, and medium enterprises (MSMEs) make up the vast majority of all enterprises around the world – 90 percent.[1] In developing countries, the International Finance Corporation (IFC) and consulting firm McKinsey & Company estimate that there are between 365 and 445 million such enterprises.[2]

Technical definitions of "micro," "small," and "medium" vary significantly from country to country; in this report, we will use the term "small business" to refer to this diverse group. Most are very small indeed: IFC and McKinsey classify between 340 and 415 million businesses, approximately 93 percent, as micro.

Despite their size, these small businesses are a big part of the global economy and social fabric, with estimates suggesting that they account for more than half of all employment and more than a third of gross domestic product (GDP).[3] As such, they are important sources of income and opportunity to invest in education, nutrition, healthcare, and other services that contribute to quality of life and a virtuous cycle of development for their owners, employees, and families – so many of whom live in relative poverty at what is often called the "base of the economic pyramid."

For these reasons, small business features on the agendas of virtually all of the major regional and global development institutions and many national governments, including IFC, ILO, the United Nations Industrial Development Organization (UNIDO), the World Bank, the African and Inter-American Development Banks (AfDB and IDB), and the UK Department for International Development (DFID), among others.[4,5,6,7] The ILO notes that "many, if not most, of the stimulus packages announced by governments in late 2008 and early 2009 include measures for the micro, small and medium enterprise sector," in both developed and developing countries.[8] Small business support is also likely to feature in the United Nations' new Sustainable Development Goals (SDGs), which will succeed the Millennium Development Goals (set to expire in 2015) as perhaps the key international framework for action to support sustainable development. The draft SDGs call on the global community to create "an enabling environment at national, regional and international levels for productive investment, creativity and innovation, and formalization and growth of micro-, small- and medium-sized enterprises."[9]

BUSINESS LINKAGES WITH LARGE COMPANIES

Many governments and regional and global development institutions consider linkages with large companies to be a critical aspect of small business support, offering those businesses access to the large and stable markets they need to grow. For food, beverage, and consumer products companies operating in developing countries, small businesses are already important parts of their value chains. On the supply side, smallholder farmers may grow some of the ingredients in their products. On the distribution and retail side, while supermarkets and big box stores are making inroads, experts expect the "traditional trade" – street or open market stalls, kiosks, mom-and-pop shops and corner stores – to continue to dominate in developing countries and emerging markets "for the foreseeable future."[10] In Latin America, for example, small retailers called "tiendas" or "tenderos" can account for up to 50 percent of sales for some consumer goods companies.[11] In Colombia, they account for approximately 60 percent of all food sales.[12]

These small businesses are located close to their customers in often hard-to-reach urban and rural areas. Customers with low and variable incomes, no transportation, and no storage space at home can visit frequently to purchase small quantities as their cash flows allow. Because the owners know their customers well, they can sometimes allow customers to purchase on credit when times are particularly tight. As a result, for the companies that supply them, these small businesses are important channels for growth in low-income markets.

DEVELOPMENT MULTIPLIER EFFECTS

Even more fundamentally, these small businesses are important drivers of human development. Local retailers enable customers with low and unpredictable incomes to meet their basic needs. They serve as meeting places and sources of information critical to community life. Like all small businesses, they provide income for their owners and employees, enabling them to cover their own basic needs and invest in goods and services that improve their standards of living and the prospects of younger generations. This dynamic is especially pronounced in the traditional trade, because so many small-scale retail outlets are owned or operated by women. Studies in countries ranging from Mexico to South Africa to the United Kingdom have shown that women are more likely to spend their incomes in ways that benefit their children, like food and healthcare.[13]

For all of these reasons, a wide range of players have rationales for working to strengthen small retailers, including the large companies that supply them; financial services, telecommunications, and technology companies that could offer services as they grow; and public and private donors, development organizations, and governments that are interested in their job creation, income generation, and broader development multiplier effects.

OBJECTIVES OF THIS REPORT

In Latin America, where small businesses make up more than 90 percent of all firms,[14] SABMiller, the Inter-American Development Bank's Multilateral Investment Fund (MIF), and the civil society organization FUNDES are working to strengthen small retailers through the 4e Camino al Progreso (4e) program.

4e was launched in late 2013 and is still a new and evolving program—yet it is already inspiring replication in other SABMiller regions in line with the company's Sustainable Development Ambition, which includes a commitment to accelerate growth and social development in its value chains by directly supporting over half a million small businesses to enhance their growth and family livelihoods.[15] 4e will be replicated in Africa in 2015 and in Europe thereafter.

This case study aims to document this new and evolving model at this point in time—and identify early lessons for SABMiller, MIF, and FUNDES as well as other companies, civil society organizations, donors, and governments interested in empowering small businesses within corporate value chains. This is not an impact assessment. The partners are planning to undertake an impact assessment once the program has been underway for a period of two full years.

The 4e Camino al Progreso Program

1. CORE PARTNERS AND DRIVERS

The 4e Camino al Progreso program is implemented by SABMiller in partnership with FUNDES and the Inter-American Development Bank's Multilateral Investment Fund. These organizations have distinct drivers bringing them together around a common objective: leveraging economically viable and inclusive corporate value chains to empower small-scale retailers, their families, and their communities.

Figure 1. **Drivers for the 4e Program**

SABMiller

Founded in South Africa in 1895, SABMiller is now one of the world's largest brewers, with 70,000 employees and operations in more than 80 countries on six continents. It is also one of the world's largest bottlers of Coca-Cola products and its own soft drinks. Beer comprises 82 percent of its volume; the remaining 18 percent is non-alcoholic beverages.

In fiscal year 2013, SABMiller's revenues exceeded US$34 billion, with some 72 percent coming from developing markets. Latin America and Africa accounted for 63 percent of EBITA and are two of the company's fastest-growing markets, at nine and five percent respectively.

In Latin America, SABMiller has significant production and sales operations in Colombia, Perú, Ecuador, Panamá, Honduras, El Salvador, and Argentina. It also has sales-only operations in Bolivia, Chile, and Paraguay.

SABMiller is the market leader in Colombia, Perú, Ecuador, Panamá, Honduras, and El Salvador, where its subsidiaries are local companies with operating histories in the range of 100 years. Across these countries, small-scale retailers are a vital channel, representing approximately 40 percent of the company's total sales volume, though beer is only one of a wide range of products they sell; the figure is even higher in some countries, such as Colombia, where it is close to 60 percent. For many years, SABMiller's local subsidiaries have worked to strengthen these retailers through help with marketing, merchandising, acquiring assets and equipment, such as refrigerators, and making modest store upgrades, such as painting. Some assist further by allowing customers to purchase their products on credit. More recently, subsidiaries in a number of the countries have launched corporate social investment programs intended to offer support in even more fundamental ways, like providing business skills training and facilitating access to financing.

However, corporate social investment was fragmented across the region overall. A 2012 consultancy revealed that US$12 million in total spend was divided across 42 relatively small, local programs, and SABMiller Latin America President Karl Lippert announced that going forward, subsidiaries would have to invest 30 percent of their corporate social investment budgets in a common program linked to the value chain. Through a process of consultation, SABMiller Latin America and its subsidiaries decided to consolidate, strengthen, and scale a consistent regional approach to supporting the small retailers and broader communities on which such a significant share of its sales depend.

FUNDES

FUNDES is a civil society organization that works to bolster the competitiveness of micro, small, and medium enterprises in Latin America in order to improve livelihoods and create jobs. Founded in 1984 by a Swiss businessman, Stephan Schmidheiny, and the archbishop of Panamá, Marcos McGrath, who shared a concern about poverty and a belief that traditional philanthropy would not solve the problem, the organization is a pioneer in the realm of business approaches to development. Grameen Bank, the renowned microfinance institution in Bangladesh, was founded just one year earlier.

With offices in Argentina, Bolivia, Chile, Colombia, Costa Rica, Guatemala, El Salvador, México, Panamá, Perú, and Venezuela and a presence in several other countries, FUNDES now manages approximately 100 projects each year. Its staff provide business analysis, training, consulting, entrepreneurial development and market linkages to small businesses across industries for clients in business, government, and the donor community interested in strengthening value chains, building competitive economies, and creating pathways out of poverty for millions of citizens in the region. The organization has developed a reputation for professionalism and results.

FUNDES began working with small-scale retailers in Mexico in 2003. In 2008, the organization made a commitment to the Clinton Global Initiative (CGI) to reach 25,000 retailers over the next four years. To reach this target, it worked to add several hundred or thousand retailers with each successive project. One of these was Progresando Juntos, a partnership with SABMiller subsidiary Industrias La Constancia in El Salvador, described in more detail later in this report. When the opportunity arose to scale the partnership to the regional level through 4e and reach 40,000 retailers in five years, far exceeding its CGI commitment in just one project, FUNDES took it.

The Inter-American Development Bank's Multilateral Investment Fund

The Inter-American Development Bank (IDB) is multilateral financial institution that that "seeks to eliminate poverty and inequality and promotes sustainable economic growth" in Latin America and the Caribbean.[16] Its shareholders are 48 countries, including 26 from Latin America and the Caribbean that hold majority ownership. While IDB is "a regular bank in many ways," it is accountable to its shareholders for development impact as well as financial results, and in addition to lending, offers grants, technical assistance, and research.[17] IDB lends to national, provincial, state, and municipal governments as well as private sector companies and civil society organizations.

It extended US$14 billion in loans and grants in 2013.[18]

IDB's Multilateral Investment Fund (MIF) channels much of the organization's grant funding and technical assistance, particularly to companies and civil society organizations. MIF's strategy is to catalyze experimentation, enabling partners to take risks, helping to measure the results, and then widely sharing the lessons learned in order to promote replication.

The 4e program contributes to two of MIF's strategic objectives: bringing micro and small enterprises into large corporate value chains in order to generate jobs and incomes, and economically empowering women. The program is particularly attractive for MIF because its strong connection to SABMiller's business success and strategy for growth give it potential for sustainability and scale. The 4e program aims to reach a larger number of beneficiaries than any of MIF's corporate partnerships to date. And it uses a proven methodology developed and refined by FUNDES over the course of a variety of small-scale retailer projects with different clients in different countries over many years, including one in Bolivia co-funded by MIF itself.

However, in line with its catalytic strategy, MIF does not subsidize the cost of scaling up proven methodologies. MIF's objective in partnering with SABMiller and FUNDES is rather to support new elements, such as gender relevance, life and leadership skills to increase its impact on participating retailers, their families, and their communities. MIF also seeks to disseminate lessons learned from the program to ensure that it serves as a model other companies and their partners can replicate – increasing its impact even further.

2. OBJECTIVES

The 4e program aims to improve small retailers':

- overall business performance,
- quality of life, and
- capacity to play leadership roles in their communities,

while at the same time strengthening SABMiller's retail network and sales.

4e targets small retailers in SABMiller's most important Latin American markets: Colombia, Perú, Ecuador, Panamá, Honduras, and El Salvador. There are some 780,000 such retailers in the company's value chain in these six countries, with 65 percent located in high poverty areas and 49 percent who can be categorized as "necessity" entrepreneurs – that is, entrepreneurs who have chosen to run their own businesses primarily for lack of viable alternatives. 4e focuses specifically on the necessity entrepreneurs.

SABMiller has come to know these retailers well through its sales force, who visit each store several times a month, getting to see how the stores operate and hear about their challenges, needs, and aspirations. Previous social investment programs and anthropological research commissioned from a non-traditional market research company, Mindcode, have helped to flesh out an even more holistic view of how shop owners operate as business people, heads of household, and community members, and why. This detailed understanding has enabled SABMiller and its partners to design a program intended to help participating retailers overcome precariousness and achieve their potential.

Overcoming Precariousness

Despite accounting for a large percentage of SABMiller's sales in the aggregate, individually these retailers are struggling to get by. According to the Mindcode research, they relate to their shops much like the survivors of a shipwreck would relate to pieces of wreckage keeping them afloat – their shops are for day-to-day survival, not for improving quality of life for their families or communities over the long term.

Small-scale retail is a difficult and highly competitive business. Their size limits small-scale retailers' ability to negotiate with suppliers for better prices or payment terms. They face increasing regulation of operating hours, health and sanitation and other practices, and high levels of competition, with as many as 92 other shops per square kilometer in the lowest income neighborhoods. Their consumers have low and unpredictable incomes, which means their revenues can be low and unpredictable as well. This precludes bulk purchasing of any of the wide variety of products they sell, as well as investments in technology, other assets, and premises upgrades that could reduce costs and increase revenues, and drives informality. Informality can reduce costs, such as licensing and taxes, but it comes with its own costs and risks, such as the higher cost of credit from informal lenders and lack of access to social security. Between 60 and 70 percent of shopkeepers operate their shops out of their homes.19 Many retailers' biggest fear is growing old or becoming ill or disabled and losing their incomes. A full 90 percent have no employees, and they work long hours, often at the expense of their personal and family lives. And according to the Mindcode study, despite their resilience and perseverance in a difficult business, their self-esteem tends to be low.

Achieving Potential

Despite these challenges, and possibly even because of the resilience they foster, these retailers demonstrate potential both to grow their businesses and to become change agents and leaders in their communities. Despite having low opinions of themselves, they are generally well-respected in their communities. Their shops are community meeting places and reference points, where neighbors visit to buy daily necessities ranging from soap to cooking oil to fresh eggs to writing paper. They are convenient places to organize community projects ranging from neighborhood clean-up to recycling to lobbying local authorities for funding to build playgrounds and other shared infrastructure. These retailers serve an average of 50 families apiece, and the average customer visits three times a week; 42 percent visit every day. They express a strong desire to improve their businesses and while few have had higher education or formal business training, virtually all are literate. The multiplier effects of improving their businesses could be significant for future generations, particularly because approximately 70 percent of these retailers are women, who have demonstrated stronger tendencies to reinvest greater earnings in their families.[20]

FROM PRECARIOUSNESS TO POTENTIAL

The 4e program is designed to empower participating retailers to move from a situation of precariousness, as depicted in Figure 2 below, to one of potential, as depicted in Figure 3.

Figure 2. **Challenges the 4e Program is Designed to Address**

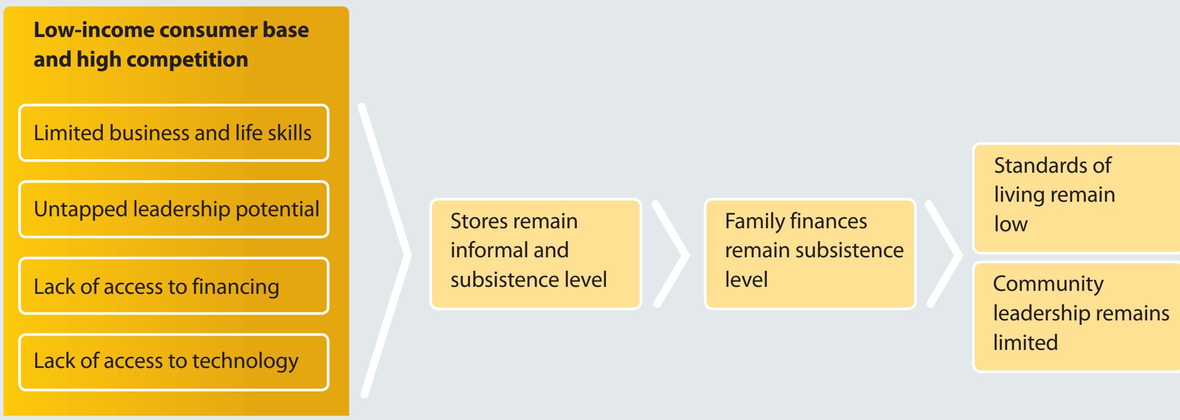
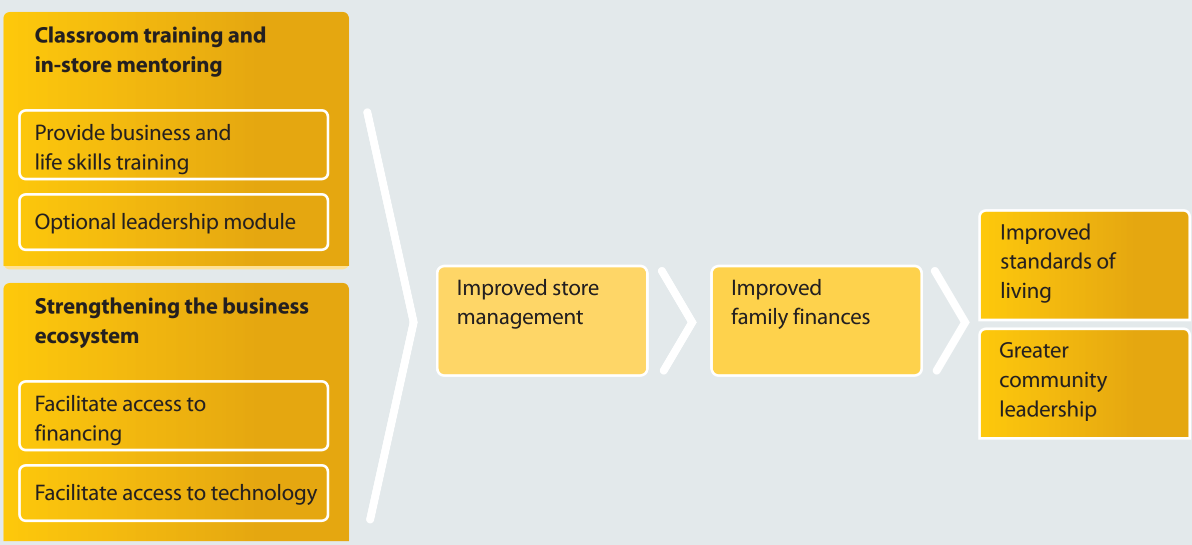


Figure 3. **Virtuous Cycle the 4e Program is Designed to Catalyze**



SABMiller's Sustainable Development Ambition includes directly supporting over half a million small enterprises to enhance their business growth and family livelihoods by 2020. 200,000 of these enterprises will be in Latin America, and of these, nearly 190,000 will be small retailers (the remainder will be small businesses such as farmers and other suppliers). 70 percent of them will be women. Conservatively, these retailers support more than 750,000 people and serve nearly 9.5 million low-income households. The program will measure the results at all stages of the virtuous cycle depicted in Figure 3 above, as described in greater detail in the section on monitoring and evaluation below.

Figure 4. **4e Program 2020 Reach Targets by Country**

Country	# Retailers Targeted	Estimated # Family Members Supported	Estimated # Households Served
Colombia	81,917	327,668	4,095,850
Perú	37,000	148,000	1,850,000
Ecuador	35,340	141,360	1,767,000
Panamá	2,273	9,092	113,650
Honduras	15,600	62,400	780,000
El Salvador	17,815	71,260	890,750
TOTAL	**189,945**	**759,780**	**9,497,250**

3. ACTIVITIES

The 4e Camino al Progreso program aims to address the main reasons that small-scale retailers are not living up to their potential to grow their businesses, provide better standards of living for their families, and play leadership roles in their communities through a combination of:

- **Classroom training and in-store mentoring** on business, life skills, and leadership
- **Strengthening the broader "business ecosystems"** in which participating retailers operate, with a special focus on facilitating access to financing and technology

4e classroom training and in-store mentoring are consistent across countries and serve as the backbone of the program. Activities to strengthen the broader business ecosystems in which participating retailers operate vary from country to country according to local challenges and opportunities.

CLASSROOM TRAINING AND IN-STORE MENTORING

The backbone of the 4e program is a 12-week cycle of recruitment, diagnosis, classroom training and in-store mentoring, monitoring, and awarding of certificates. Each step of the methodology is clearly documented, including activities, expected results, time required from the participating retailer, responsible party, and links to supporting material, such as participant invitation letters and training manuals. A short video explaining the program from the perspective of a participant can be found at http://multimedia.sabmiller.com/view/item44225.

Figure 5. **4e Classroom Training and In-Store Mentoring Cycle**

RECRUITMENT is an active process of store visits, group information sessions, and follow-up in person and over the phone. SABMiller sales and sustainable development teams jointly select recruits from among their small retail customers according to a combination of criteria, including:

- Personal characteristics
- Outlet sales growth potential
- Community poverty rate

SABMiller sales representatives then introduce recruits to the program on their next regularly scheduled visits, sometimes accompanied by their sustainable development colleagues or FUNDES consultants, and issue formal letters of invitation to attend group information sessions in their communities. Recruits receive phone calls reminding them of the sessions and asking them to confirm attendance. The sessions are hosted by FUNDES and attended by SABMiller sales staff and senior management. They take two hours plus travel, and the goal is to have 80 percent of attendees sign letters of commitment to participate in the program. Recruits who are unable to attend their information sessions receive follow-up visits from their sales representatives and FUNDES consultants who tell them about the program and offer the opportunity to sign a letter of commitment to participate.

DIAGNOSIS generates baseline information and an action plan for each participating retailer, in collaboration with that retailer. FUNDES consultants visit the retailers in their stores to discuss their strengths and weaknesses, needs and aspirations for improvement, noting a variety of baseline indicators. FUNDES consultants and retailers also agree on dates for in-store mentoring visits. Afterwards, the consultants complete their diagnoses and design appropriate action plans.

The 4e Camino al Progreso Program

CLASSROOM TRAINING (18 hours) and **IN-STORE MENTORING** (17 hours) introduce a wide variety of topics and help participating retailers implement what they have learned. Importantly, the curriculum covers general business, finance, and marketing skills intended to help participants improve their overall sales across all of the products they sell; responsible retailing of alcohol; and life skills, such as healthy lifestyles, prevention and assistance with domestic violence, separating the business and family finances, and financing for children's education. Along with practical exercises designed to improve their businesses, participating retailers also develop life plans. The curriculum is divided into four stages, or *etapas*, after which the 4e program is named: Responsible Retailer, Sustainable Retailer, Excellent Retailer, and Leader Retailer.

MONITORING determines how participating retailers' businesses have improved since beginning the 4e program. Each retailer receives a visit from her FUNDES consultant, who assesses changes in key indicators from the baseline, including sales, number of customers, customers' average purchase, inventory rotation, and expenses. A certificate is then awarded to recognize participating retailers' investment and achievement. Some countries host formal graduation ceremonies.

Finally, approximately 20 percent of participating retailers are invited to participate in a **LEADERSHIP** module. These retailers will receive training, mentoring, and small seed grants to start new business lines with social impact (such as sales of reading glasses, micro-insurance, or mobile banking services) and local development projects that respond to community-identified needs (such as recycling, infrastructure, safety, and access to information on health, education, and other services).

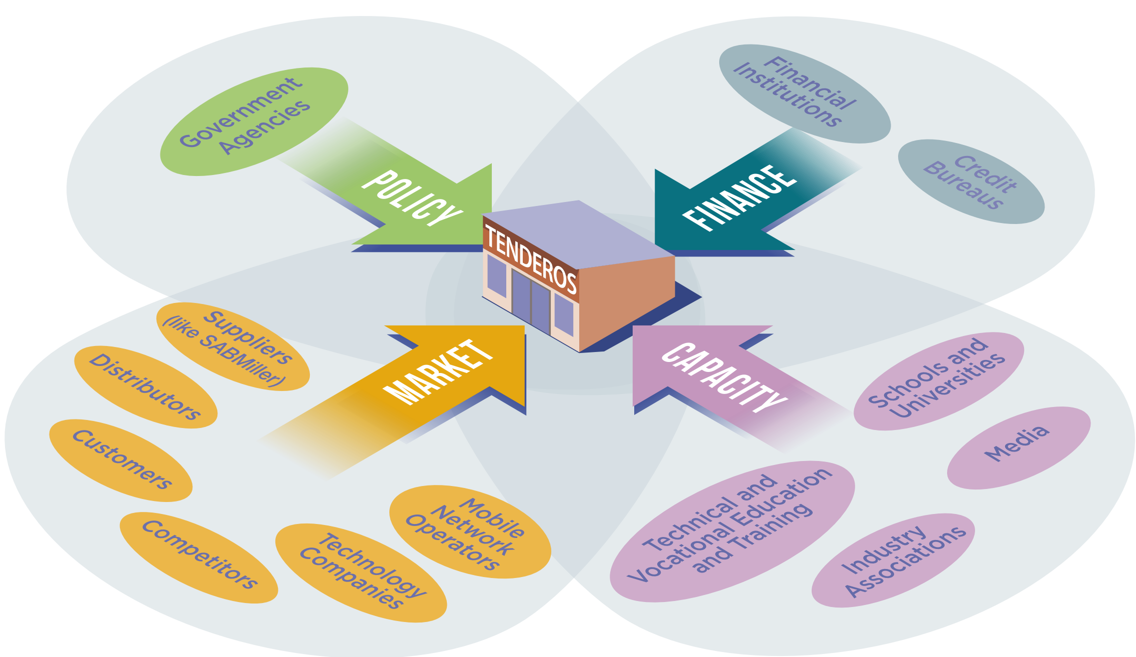
Strengthening Broader Business Ecosystems

SABMiller's commercial relationships with participating retailers are at the heart of the 4e program, and classroom training and in-store mentoring are its backbone, with a curriculum, delivery methodology, and performance management system that are consistent across the six countries participating. This backbone is still in the process of improvement and expansion. At the same time, the company realizes that participating retailers "will only thrive in the long run if they are embedded in strong, supportive 'business ecosystems' that include, but go beyond, the company itself."[21]

As a previous CSR Initiative-Business Fights Poverty report on SABMiller's approach to enterprise development described:

> *The term "ecosystem" comes from ecology, where it refers to a community of organisms that depend on one another and a shared natural environment. Strategist James Moore coined the term "business ecosystem" in a McKinsey Award-winning Harvard Business Review article in 1993, noting that firms, too, depend on communities of interconnected, interdependent stakeholders, including suppliers, distributors, retailers, customers, companies selling complementary products, competitors, investors, trade associations, regulators and other government agencies, educational institutions, the media, and others.*[22]

Figure 6. **4e Retailers' Business Ecosystem**



Source: Jenkins, Beth, Richard Gilbert, and Piya Baptista. 2014. "Sustaining and Scaling the Impact of Enterprise Development Programmes: SABMiller's Approach to Strengthening Business Ecosystems." Cambridge, MA: The CSR Initiative at the Harvard Kennedy School and Business Fights Poverty.

The retailers participating in the 4e program flourish when they can buy desirable assortments from suppliers at reasonable prices and on payment terms that match their cash flows; when they can obtain credit, savings, and insurance services from banks; when regulatory and tax requirements are clear and can be complied with at reasonable cost; and when they can obtain information and guidance on these and other topics from suppliers, banks, and governments themselves, and/or from civil society groups, academic institutions, and the media.

As a result, in some countries, SABMiller has already begun to build on the heart and backbone of the 4e program with activities to strengthen the business ecosystems in which participating retailers operate, and make those ecosystems more supportive. These activities are in the early stages and vary from country to country according to local challenges and opportunities, with two special focus areas – financing and access to technology – crossing all geographies. Two examples that will be described in greater detail later in this report include:

- **El Salvador:** In El Salvador, SABMiller subsidiary Industrias La Constancia is helping to facilitate access to finance through a deal with a local bank, Banco Agrícola, and the Inter-American Development Bank. SABMiller subsidiaries Bavaria and Backus are working with IDB to implement similar deals in Colombia and Perú, respectively.
- **Colombia:** In Colombia, Bavaria is working with a national small business association, FENALCO, to organize service fairs bringing government agencies, financial institutions, technology companies, and others together to speak to retailers about formalization, pensions, and other topics. Bavaria also envisions helping to organize retailers into associations to negotiate better prices with suppliers and strengthen their voice with the government.

4. PARTNER ROLES

As indicated above, SABMiller's subsidiaries work with numerous partners to implement country-specific activities to strengthen the broader ecosystems in which participating retailers in their countries operate.

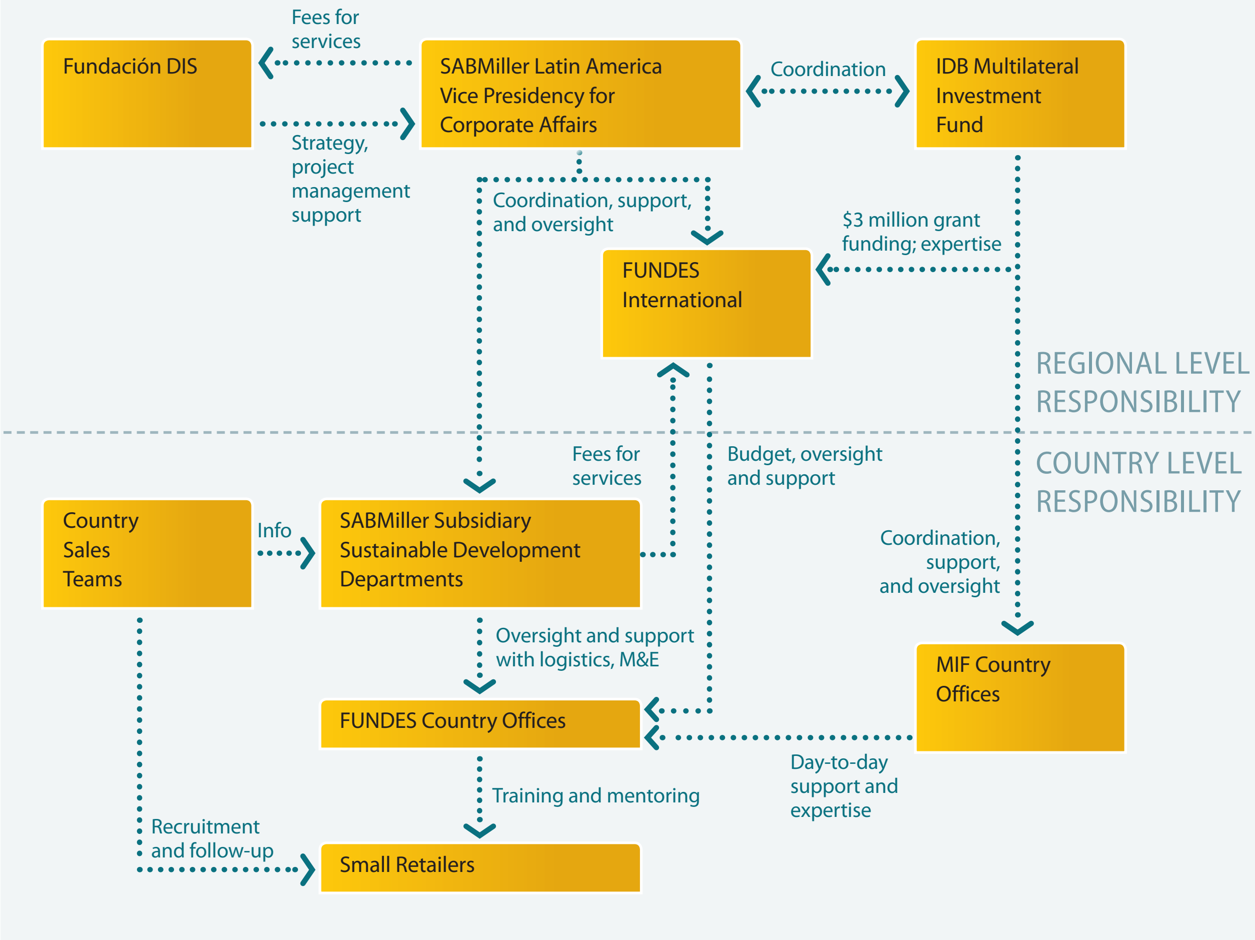
The roles of the three core partners, SABMiller, FUNDES, and MIF, in delivering the backbone classroom training and in-store mentoring program are depicted in Figure 7 below.

- **SABMiller:** SABMiller Latin America, the company's regional hub, is responsible for overall strategy, coordination, and support of the program across the six participating countries.

  The hub negotiated the program's core partnerships with FUNDES and MIF. Because few staff members are actually employed at hub level, the hub also contracts Fundación DIS, a Colombian nonprofit consulting firm serving companies and social enterprises, to provide project management support. SABMiller's six participating country subsidiaries are contributing $17 million in corporate social investment funding and implementing the program, paying FUNDES to deliver the classroom training and in-store mentoring, liaising with their sales departments to recruit retailers, organizing graduation ceremonies and other logistics, and organizing communications.

- **FUNDES:** FUNDES International takes responsibility for program oversight and overall relationship management with SABMiller and IDB; its country offices contract directly with SABMiller's country subsidiaries and MIF's country offices. FUNDES country offices recruit, deploy, and manage trainers and consultants to deliver the classroom training and in-store mentoring. They also track results data.
- **MIF:** IDB's Multilateral Investment Fund in Washington, DC provides expertise and advice, especially in the areas of financial and technological inclusion, as well as US$3 million in grant support to FUNDES to strengthen the leadership, women's empowerment, and impact measurement components of the 4e methodology. MIF's country offices liaise directly with SABMiller's subsidiaries and FUNDES' country offices, providing expert advice and local connections on a day-to-day basis.

Figure 7. **4e Partnership Structure**



5. IMPACT MEASUREMENT

SABMiller, MIF, and FUNDES are dedicating significant time and resources to monitor and evaluate the results of the 4e program in order to drive continuous improvement and ensure that their investment, a significant 30 percent of SABMiller's total corporate social investment for the region, generates equally significant results. The partners have developed a monitoring and evaluation (M&E) framework to track results on a day-to-day basis and MIF will initiate an impact assessment in the second half of 2015.

M&E Framework

The partners have developed indicators that correspond to the major stages of the virtuous cycle from precariousness to potential described earlier in this report, as depicted in Figure 8 below. Each indicator is clearly defined, and the relevant data sources are specified.

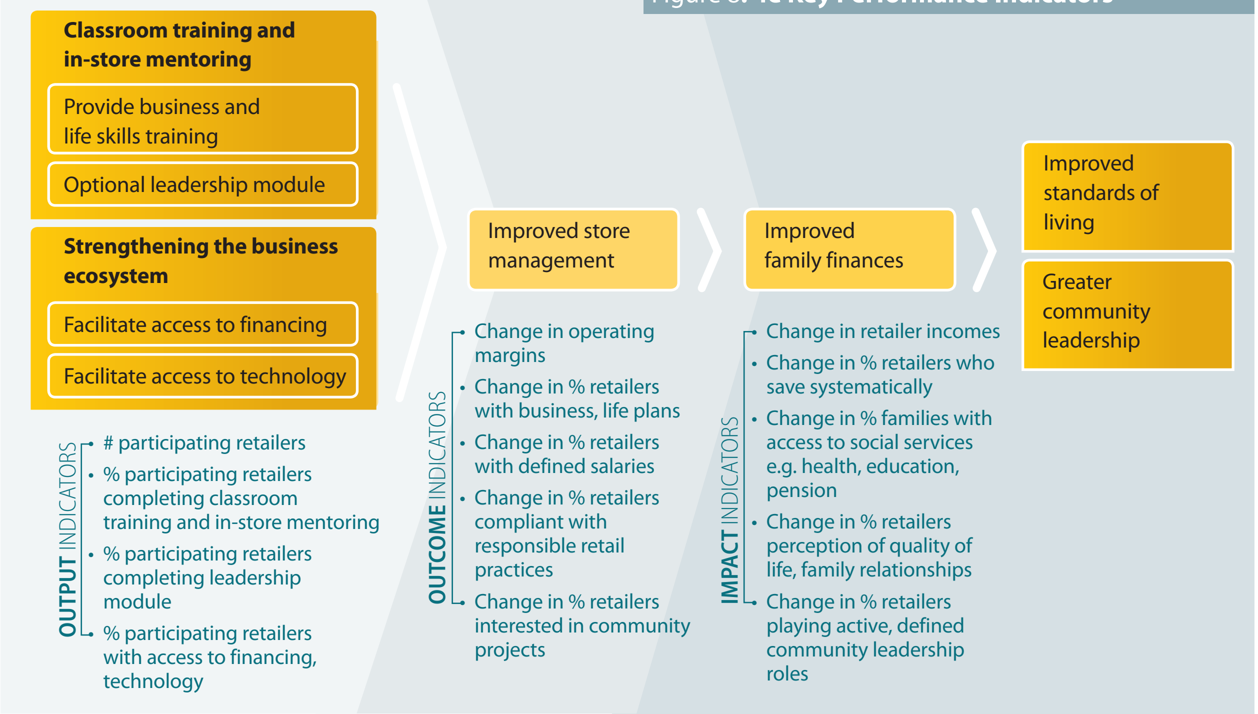
Day-to-Day Tracking

FUNDES collects baseline data on participating retailers at the beginning of each 12-week cycle of classroom training and in-store mentoring. Project management data, including retailer attendance, completion of business and life plans, and satisfaction with the training are collected at every step of the process. FUNDES collects additional data at the end of each cycle to capture change compared to baseline indicators.

Independent Evaluation

In the second half of 2015, MIF will initiate an impact assessment to determine whether changes observed at the end of each cycle have increased, decreased, or remained constant over time. For example, have retailers been able to increase their incomes even further as they accumulate experience with the better business practices they have learned, or have they gone back to old habits over time?

Figure 8. **4e Key Performance Indicators**



Are their families enjoying expanded access to public and private services and greater economic opportunities? Have they continued their community leadership projects or initiated new ones? The partners hope to find that participating retailers have at least been able to sustain any positive change they experienced.

6. RESULTS TO DATE

The 4e program is in its early days. Its primary results as of late 2014, after the third full classroom training and in-store mentoring cycle, are given in Figure 9. Qualitative feedback, sampled in the box below, also helps to capture the results of the program.

It is important to explain that many of the KPIs listed in the M&E framework depicted in Figure 8 have not yet been measured due to evolution in the program or the length of time they take to materialize – this is particularly the case for the impact indicators. These measures will be captured in the impact assessment scheduled to begin in late 2015.

Figure 9. **4e Program Results as of Late 2014** (3 Cycles Completed)

	Colombia	Perú	Ecuador	El Salvador	Honduras	Panamá	TOTAL
Number of participants reached	2,245	1,501	830	497	308	247	5,628
Percent increase in average overall sales	11.3%	8.3%	7.7%	13.3%	17%	13%	11.7%
Percent participants with life plans	100%	100%	75%	100%	99%	100%	95.7%
Number of community project plans developed	333	257	168	88	48	36	930
Percent participant satisfaction	97%	93.2%	96.5%	96.7%	96%	96.5%	96%

QUALITATIVE FEEDBACK FROM EARLY PARTICIPANTS IN THE 4E PROGRAM

"I have learned the great value of the customer in the business and with the program, my sales have grown by 90 percent."

Olga Garay, HONDURAS

"My mentor taught me to better manage my time and to set aside time to take care of myself so that I can feel good and look good. I'm happier now and I have more energy to give to the business."

Elena Vidal Yupanqui, EL SALVADOR

"I now take a half day on Monday afternoon. It is the only time when I close the store. I now have time to go to school for my children and talk with each of their teachers."

Ruth Sanchez Canahuire, EL SALVADOR

"During the first class I learned about techniques to increase my sales and how to keep my business organized. My store looks like new."

Margot Flor Májera, PERU

"The 4e trainers have helped us a lot to improve our business. I also dedicate more time to my family. More than teachers, they have become our friends."

Pilar Espin, ECUADOR

Country Case Studies

1. EL SALVADOR

About Industrias La Constancia

Industrias La Constancia (ILC) is El Salvador's largest beverage company, with a 41 percent share of the market for alcoholic beverages and a 50 percent share of the market for non-alcoholic beverages.

The first company in El Salvador to produce beer, ILC was founded in 1906 by the Meza family. Its four brands included Pero, Abeja, Extracto de Malta, and Pilsener, which is still popular today. In 1920, it opened the country's first soft drink bottling plant, and in 1939, it began distributing Coca-Cola. SABMiller first invested in the company in 2001, and completed its acquisition in 2005.

ILC's key brands include Pilsener, Golden, Suprema, Reggia, and Miller beers and the non-alcoholic malt beverage Actimalta. The company also bottles and sells Cristal bottled water and a variety of Coca-Cola products, including Coca-Cola, Sprite, Fanta, Powerade, and Del Valle juices. An economic impact study conducted by El Salvador's Escuela Superior de Economia y Negocios in 2012 found that ILC contributed close to one percent of GDP and directly or indirectly supported jobs for nearly 63,000 people, 2.5 percent of the economically active population.[23]

ILC's Experience with Small-Scale Retailers

Approximately 30,000 small-scale retailers and restauranteurs account for 25 percent of ILC's total sales. For many years, ILC has worked to help these outlets increase their sales through marketing and merchandising support, painting projects and other minor premises upgrades, and the ability to purchase product on credit at zero interest for periods of eight to 15 days. By 2009, the sales force had concluded that these measures were not sufficient, and they approached their corporate affairs colleagues requesting help to improve retailers' business skills. Corporate affairs contacted the local FUNDES office to explore their support, and in 2010, they launched a program called Progresando Juntos.

Progresando Juntos offered 24 hours of classroom training and 16 hours of in-store mentoring spread over an 8-month period, focused on business basics (like understanding consumer demand, product rotation, and inventory management) and food and beverage specifics (like avoiding contamination and managing the electricity costs associated with refrigeration).

ILC and FUNDES reached 67 outlets in 2010, Progresando Juntos' pilot year, and expanded the program to reach 309 outlets in 2011 and 305 in 2012. An impact evaluation conducted in 2012 revealed that participating retailers increased their sales by an average of 38 percent.

Adopting the 4e Camino al Progreso Program

With such positive results, ILC's country-specific Progresando Juntos model was influential in the design of the regional 4e Camino al Progreso program. Adopting 4e gave ILC the chance to be part of something bigger, to take advantage of investment and networks at the regional level, and to exchange learning with other countries to drive continuous improvement. ILC has retained its focus on small restaurants and bars, in addition to retailers, since they are critical to its sales and strategy for growth. Its costs have remained approximately the same – the cost per beneficiary has declined somewhat, and the number of beneficiaries has increased somewhat – and no budget reallocation has been necessary to reach the target of 30 percent of corporate social investment (in fact, ILC dedicates 40 percent of its corporate social investment budget to 4e). Nevertheless, adopting the 4e program has required a number of operational changes:

- Rebranding a successful program that had positive recognition both internally (for example, in the sales and finance departments) and externally (among retailers)
- Adopting the modified 4e curriculum, which added life skills and community leadership content while reducing the overall number of hours compared to Progresando Juntos
- Adapting the 4e course material for small-scale restauranteurs in addition to retailers

1. EL SALVADOR continued

Results to Date

Since launching the 4e program in El Salvador in mid-2013, ILC and its partners have reached 497 retailers and enabled them to increase their sales by an average of 13.3 percent. All participants have developed life plans and 88 have developed plans of action to address social issues in their communities. Satisfaction with the program has rated nearly 97 percent. ILC has met or exceeded its targets in each of these respects, on average – only in the latest program cycle has participants' increase in sales dipped below the company's target of 10%.

In addition, ILC and IDB's Opportunities for the Majority initiative have forged an agreement with El Salvador's largest bank, Banco Agrícola, to facilitate access to financing for retailers who complete the 4e program. Each party has an important role:

- ILC provides Banco Agrícola (BA) with an Excel spreadsheet containing contact details for 4e graduates and information that helps to assess their credit risk, such as their 6-month purchasing history and repayment category.
- BA provides 4e graduates in the highest repayment category with loans for working capital, equipment purchases, and premises upgrades. Loans range from US$500 to US$10,000 in size with interest rates that range from 30.25 percent for the smallest loans to 18.7 percent for the largest.
- IDB's Opportunities for the Majority initiative guarantees BA's losses up to US$5 million.

This arrangement builds on lessons learned from a pilot conducted by ILC and BA from December 2013 through May 2014, in which US$117,000 was successfully loaned to 20 4e graduates. IDB's involvement enables BA to scale up this activity. Since the deal was signed in June, 2014, 15 loans have been disbursed for a total value of $48,300.

PARTNERING WITH A LOCAL BANK: **ABOUT BANCO AGRÍCOLA**

Founded in the capital city of San Salvador in 1955, Banco Agrícola (BA), now part of Colombia's Bancolombia, is El Salvador's largest bank. BA provides financial services to individuals, micro, small, and medium enterprises (MSMEs), large companies, and government agencies. As of late 2013, its portfolio included US$226 million in loans to MSMEs, accounting for 20 percent of its business lending. 35 percent of its MSME borrowers were women. In addition to the US$5 million risk-sharing facility specifically for lending to 4e program graduates, BA has received a US$90 million line of credit for lending to MSMEs more broadly. BA has 2,500 employees and has been named Best Bank in El Salvador by a variety of finance magazines.

2. COLOMBIA

About Bavaria

Bavaria S.A. is Colombia's largest beverage company, with a 64 percent share of the alcoholic drinks market. Bavaria does not produce soft drinks.

Bavaria was founded in 1889 by Leo Sigfried Kopp and brothers Santiago and Carlos Arturo Castello. Its first four beers appeared on the market in 1891. Pilsen, its oldest brand still on the market, was introduced in 1904. Bavaria was acquired by SABMiller in 2005, becoming the company's largest operation in Latin America.

Bavaria's key national brands include Águila, Águila Light, Club Colombia, Costeñita, Pilsen, and Poker beers and the non-alcoholic malt beverage Pony Malta. It also sells international beer brands Peroni, Miller, and Redd's. The company operates six breweries, two malting plants, and a labels and crowns factory. It is one of the largest employers in the country, accounting for one percent of total employment.

Bavaria's Experience with Small-Scale Retailers

There are an estimated 400,000 small-scale retailers in Colombia, of whom 375,000 sell Bavaria products. They account for 60 percent of Bavaria's annual sales volume.

In 2009, Bavaria launched the Oportunidades Bavaria program to help improve small-scale retailers' access to microfinance. The program targets retailers who sell from three to seven cases of beer per week. Bavaria has approximately 230,000 such retailers in its value chain. Despite their small scale, these retailers are an important segment for the company, accounting for 40 percent of Bavaria's annual sales volume. In partnership with financial institutions such as Bancolombia, Oportunidades Bavaria provides these retailers with access to credit. More recently, the program expanded to bank accounts and micro-insurance for loan repayments, funeral expenses, and other needs.

For many years, Bavaria had also supported small-scale retailers with marketing and merchandising support to help increase their sales.

In 2012, an evaluation of the Oportunidades Bavaria program highlighted that retailers who received microcredit were able to improve their stores and increase both their overall revenues and sales of Bavaria beer. At the same time, the Mindcode research showed that these retailers managed their stores poorly, constraining their business growth and negatively impacting their personal lives.

Acting on these findings, in 2012, Bavaria piloted a business skills training program in partnership with FENALCO, a national small business association, and SENA, a technical and vocational education service run by the Colombian Ministry of Labor. FENALCO promoters visited retailers to recruit them to the program, and SENA instructors provided 60 hours of classroom training in 30 two-hour sessions. Of approximately 1,000 retailers invited, more than 500 participated, demonstrating a strong desire within the target segment to improve their business skills.

Adopting the 4e Camino al Progreso Program

For Bavaria, the 4e Camino al Progreso program presented an opportunity to increase its impact on participating retailers, their families and communities compared to the pilot by offering more personalized, hands-on support through in-store mentoring and by covering life skills and community leadership during the classroom training. However, it would also cost more, meaning a trade-off in the number of retailers Bavaria could reach. Adopting 4e also required a number of important operational changes:

- Convincing the sales force to recruit for 4e to improve the brand association and loyalty benefits of the program, and to enhance its impact by leveraging their close customer relationships to identify those retailers who would benefit most
- Restructuring its corporate social investment program portfolio to allocate the required 30 percent of the budget to 4e
- Rebranding the training program "4e" and clarifying its relationship to Oportunidades Bavaria

2. COLOMBIA continued

Progress to Date

Since launching the 4e program in Colombia in mid-2013, Bavaria and its partners have reached 2,245 retailers and enabled them to increase their sales by an average of approximately 11 percent. All participants have developed life plans and more than 300 of them have developed plans of action to address social issues in their communities. Satisfaction with the program has rated 97 percent. Bavaria has met or exceeded its targets in each of these respects.

Looking Ahead

Bavaria is continuously improving the core classroom training and in-store mentoring backbone of the 4e program, and exploring ways to strengthen the broader business ecosystem in which participating retailers operate. The company is also looking for ways to reduce its costs in order to stretch the allocated 30 percent of its corporate social investment budget to reach 81,917 retailers by 2020, spread across a relatively large geographic area. Bavaria's is the highest reach target of any subsidiary participating in 4e, owing to the size of its business and the size of the country. Some examples of its ideas and plans for the future include:

Consolidating and refining the core classroom training and in-store mentoring program

- *Constant contact through employee engagement* to further improve retailers' confidence and strengthen their bonds with the company
- *Revising selection criteria to focus on retailers under the age of 45*, who have the greatest openness to new practices and the longest time to reap the benefits
- *More neighborhood-based recruiting and delivery*, to increase convenience for participating retailers and decrease logistics costs for the company
- *Additional mechanisms to manage costs*, such as exploring distance learning tools and partnering with FENALCO to procure classroom training venues

Strengthening the business ecosystems in which participating retailers operate

- *Organizing service fairs with FENALCO* to bring 4e graduates together with government representatives, civil society organizations, and companies about options for improving their about options for improving their business performance and family life, ranging from formalization to technology to saving for retirement and family vacations
- *Encouraging retailers to form associations* so they can negotiate bulk discounts with suppliers and advocate for their interests with government on issues ranging from regulation to community services like education, water, and sanitation
- *Connecting retailers to other income-generating opportunities*, for example as branchless banking agents for banks or Wi-Fi hotspots for Internet service providers

PARTNERING WITH A LOCAL BUSINESS ASSOCIATION: **ABOUT FENALCO**

Colombia's National Federation of Traders (FENALCO) was established in 1945 by a group of traders facing severe rationing and price controls in the aftermath of World War II. Its mission is to develop its members intellectually, socially, and economically and to foster a favorable environment for commerce with the objective of contributing to greater economic and social well-being in the country. Through a national presidency and 27 regional sub-sections, FENALCO engages in public policy dialogue with the government, sponsors research, publishes various newsletters and other communications for members, and offers workshops and other events.

Lessons Learned

4e Camino al Progreso is a program that attempts to be transformational in mindset and approach, with an eye to sustained impact at scale. For SABMiller, FUNDES, and MIF, that means generating business growth, improved standards of living, and community leadership that last – even after the program has ended – for large numbers of people, their families, and their communities.

While these are early days for 4e, this section identifies a number of early lessons for SABMiller, FUNDES, and MIF and other companies, civil society organizations, donors, and governments interested in working with small businesses. These lessons fall into four categories:

1. **Empowering entrepreneurs as individuals**
2. **Strengthening business ecosystems**
3. **Integrating with core business operations**
4. **Partnering strategically**

1 EMPOWERING ENTREPRENEURS AS INDIVIDUALS

As stated in the introduction, the 4e program targets small-scale retailers, but several key lessons about how to empower them apply equally to individuals at other stages of the value chain – including small-scale farmers, other suppliers, and distributors.

Invest in the whole person: entrepreneur, head of household, community reference point and potential leader

SABMiller's experience and research have shown that small retailers' business endeavors are closely intertwined with their family lives and community dynamics. Many of their shops are in their homes; their relatives help run operations; and their customers are their neighbors and friends. As a result, to generate sustainable change, it is necessary to address them in all of their multiple roles – not just as business owners, but also as heads of household and community members.

Investing in the whole person has the potential to unleash a virtuous cycle rooted in, but going beyond, improved business performance. If a retailer's business performs better, it generates more income, which can be used to improve the retailer's family's standards of living and create better opportunities for younger generations. This, in turn, improves the retailer's self-esteem and frees up time and attention to play a greater role in the community. Strengthening communities helps build better customers, and increases the retailer's visibility and reputation – attracting more people to the store, further improving business performance, and reinforcing the cycle. This will be measured as part of the 4e program's monitoring and evaluation efforts, with an eye to improving its impact over time.

Understand and work within entrepreneurs' incentive structures

The 4e program targets retailers living in precarious economic circumstances, in which investing for the future, challenging themselves, and playing community leadership roles can feel risky. The 4e program has had to work within these incentive structures.

First, SABMiller and its partners are continuously working to minimize the investment a retailer must make to participate in the program. That investment takes two forms: first and foremost, time, and second, the cost of transportation to and from classroom training sessions. Logistical changes to the program – such as recruiting critical masses of retailers from the same neighborhoods and renting classroom facilities in those neighborhoods – have helped. The time required from retailers at every step along the way is clearly specified in the program methodology and closely tracked and managed. The program absorbs participants' transportation costs, and seeks to provide refreshments or even full meals while participants are in class. Most retailers with young children leave them with family or friends, but those without that option are invited to bring their children.

Second, the partners work to accelerate the time horizon before participants begin seeing returns on their investment. The curriculum features training and mentoring topics that, in FUNDES' many years of experience, generate the best results in the least amount of time. Anecdotally, some retailers have reported their incomes increasing the very first day after their first training sessions – for example, after cleaning their shops and rearranging inventory so that it is easier for customers to find what they need.

Third, the 4e program partners have designed the program not to threaten retailers' self-esteem. The Mindcode study finding that their self-esteem was generally low influenced program design a great deal, suggesting that competition would be discouraging rather than motivating. All participants are encouraged to complete the entire program. In some countries, there are elaborate graduation ceremonies; in others, there are full-page ads in local newspapers, including group photos and graduates' names.

Participants are encouraged to network and form relationships, especially among women, which provide sources of moral support and learning as well as opportunities for collaboration on community projects. These measures bolster self-esteem and graduates' standing in their communities. The final leadership module is offered to 20 percent of graduates who demonstrate potential for leadership – and not all graduates do – but those 20 percent are not glorified as "winners" or trumpeted widely.

Fourth, and finally, while the 4e program does aim to tap into participating retailers' leadership potential to catalyze development in their communities, the partners recognize that retailers have no incentive to get involved outside their shops if they do not feel confident that they can meet their families' basic needs. This is why basic business and life skills form the bulk and the backbone of the program.

Leverage relationships of trust

Working within retailers' incentives is necessary, but not quite sufficient; the 4e program still needs an entry point. Because financial insecurity and informality leave them living on the outside of many traditional systems, these retailers tend to have low levels of trust in others. Recognizing this, the 4e program has leveraged existing relationships of trust to bring retailers into the program – and keep them there until graduation.

These retailers have developed close relationships with their SABMiller sales representatives over the course of multiple monthly visits over the years. These sales representatives are therefore the ones charged with inviting their customers to participate in 4e. In some countries the sales representatives bring their sustainable development or FUNDES colleagues along. Their sense is that this makes the retailer feel special – but that the unfamiliar sustainable development or FUNDES staff would have been less successful on their own. SABMiller sales representatives also help with retention, using their regular visits to see how retailers are feeling about and doing in the program. The 4e program retention rate is approximately 80%.

The bulk of the 4e classroom training and in-store mentoring program is delivered by FUNDES, and the organization's capacity to develop relationships of trust with participants quickly has been critical. FUNDES appears to have the ability to hire trainers and coaches with strong combinations of business and interpersonal skills, including empathy.

Going forward, SABMiller plans to leverage relationships of trust to help graduates sustain the positive results they have achieved, even after they exit the program. Building on its sales force relationships and the broader goodwill and trust cultivated through the program, SABMiller is developing an employee mentoring program where staff from a range of departments will check in with graduates periodically to see how they are doing, provide light-touch advice, and, where possible, connect them with resources that can help address any challenges they may be facing.

Facilitate experiential learning

As anyone with young children will know, most people learn not by being told, but by trying it themselves. The 4e program recognizes this principle in two ways. First, the manuals provided for each stage of the classroom training include practical exercises for participants to implement back in their stores – from tips for rearranging inventory by product class to templates for developing life plans. Second, and perhaps more importantly, the program includes significant time for in-store mentoring to help participants implement what they learn in the classroom. For every two-hour classroom training session, participants receive nearly two hours of in-store mentoring.

Find an appropriate balance between reach and impact

Perhaps the most fundamental challenge for funders, designers, and managers of enterprise development programs is how to balance reach and impact per participant. Assuming a given budget, there are trade-offs to make between the number of participants that can be reached and the level and nature of support that can be provided. The level and nature of support provided determine the impact the program will have.

As an illustration, in El Salvador, the Progresando Juntos program offered 40 hours of classroom training and in-store mentoring to 305 participants in 2012, enabling them to increase their sales by an average of 38 percent. In the first year after Progresando Juntos became 4e, the program offered 35 hours of classroom training and in-store mentoring to 350 participants for about the same budget, and their sales increased by an average of 21 percent. It must be stressed that increasing sales is only one goal of the 4e program, which also aims to improve quality of life and community leadership – it is only a partial indicator of impact. However, given that improved quality of life and community leadership are contingent on better business results in the virtuous cycle 4e aims to catalyze, this trade-off is worth monitoring, especially as the logistical costs of the program increase as it expands outside the dense urban areas where it started.

SABMiller and its partners seek to reach a significant number of participants and to have significant impact in their lives. They are working on two levels to achieve this:

- **Efficacy.** The 4e program is working to ensure efficacy by focusing on the topics that, in FUNDES' 30 years of experience, give the most impact in the least amount of time. The curriculum will continue to be improved in this respect over time, based on experience. This has meant making some difficult strategic decisions, for example in how to address the critical business issue of formalization. Helping retailers to register their businesses with the government would require significant time and systemic effort to counter perceptions of risk and deeply rooted disincentives. As a result, 4e provides a booklet that enables participants understand the opportunity, the implications, and the process and invites them to take the first step – but does not provide hands-on assistance.

SABMiller has also invested in the efficacy of the 4e program by partnering with FUNDES, a premiere regional enterprise development services provider. The organization has a history of results, but its services are not the lowest cost on the market in all of the participating countries.

- **Efficiency.** While FUNDES is not the lowest cost provider on the market, there are some economies of scale in working with the organization on a regional basis. At a country level, each subsidiary is working to contain additional costs such as facilities and transportation.

  E-learning technology is being explored to reduce costs even further. For example, in the future, 4e may become more flexible and modular, with participants segmented into groups who need the full program vs. specific modules, groups who are ready to learn through technology vs. those who require more hands-on support. There are important questions about whether the use of technology could reduce efficacy. The human touch, particularly via in-store mentoring, has been identified as a key success factor thus far. And access to technology is low. Only 14 percent of the target segment currently have computers, and only 24 percent have access to the Internet, whether through their computers or their phones.

In addition to increasing efficacy and efficiency, going forward, SABMiller and its partners are exploring the potential to expand the amount of funding available for the program through alliances with other companies and donors with an interest in supporting small-scale retailers in Latin America.

2 STRENGTHENING BROADER BUSINESS ECOSYSTEMS

SABMiller and its partners are still in the process of improving and expanding the 4e classroom training and in-store mentoring backbone, and the company is just beginning to initiate complementary activities to strengthen the broader business ecosystems in which participating retailers operate. And strengthening business ecosystems is not easy. It is a long-term process that involves collaboration across departmental, organizational, and sectoral boundaries, both within the company and externally. Key stakeholders have different motivations, mental models, and vocabularies, which can make it difficult to see how objectives align. Relationship-building takes time and trust, whereas most organizations prefer to act quickly, retain control, and take credit for their work. And while staff may see the big picture, their incentive structures can prevent them from acting on it. Nevertheless, a number of early lessons stand out.

Prioritize challenges to address

Small enterprises, including 4e retailers, face a wide range of challenges, which may be related to capacity (knowledge, skills, assets, and resources), market characteristics (among suppliers, distributors, and customers), access to financial services (including payments, credit, savings, and insurance), the policy environment (including regulation, enforcement, public services, or lack thereof), or all of the above. This is precisely why it is necessary to make retailers' business ecosystems more supportive. However, the scope of the task is incredibly broad and long-term. In the absence of unlimited budgets and indefinite time frames, it is necessary to prioritize.

SABMiller and its subsidiaries are open to opportunity, but have chosen to place special emphasis on strengthening 4e retailers' access to financing and technology. Because participating retailers' own capital is limited, financing is critical both to day-to-day operations and to investment in future growth. Technology offers not only to help retailers improve their operating effectiveness and efficiency, but also to enable new revenue streams – for example, as branchless banking agents or community Internet access points.

Understand stakeholder incentives and institutional capacity

Identifying opportunities to collaborate to strengthen business ecosystems is a continuous process of mapping and engaging stakeholders that, for SABMiller in the context of the 4e program, is taking place at the regional level and in each of the six participating countries. Stakeholder conversations often start at a very general level, and may or may not ever get specific. When they do, SABMiller's objective is to understand each organization's incentives and institutional capacity to work with 4e retailers. This enables the company to prioritize stakeholders for further engagement, and determine how best to facilitate their involvement.

For example, in El Salvador, ILC gives customers one to two weeks to pay for product they buy from the company. But the company realized that customers needed additional financing to buy other types of inventory, and to make investments such as equipment, furniture, and store upgrades. Company representatives spoke with various financial institutions. Among them was Banco Agrícola.

As any bank would be, Banco Agrícola was interested in acquiring new customers and increasing its revenues. It also had a long history of micro-lending. It lacked the information necessary to lend to these specific customers, but ILC could provide it. With this information, Banco Agrícola was able to undertake a pilot providing loans to 20 4e program graduates.

However, for most of its history, the bank's micro-lending department had operated as an independent unit, and it had recently been mainstreamed, coming under the purview of the risk committee. Lacking prior exposure to this segment or to the bank's own experience lending to it, the risk committee was unsure how to assess or price the risk or what levels of return to expect. This was a disincentive to work with ILC to expand access to financing for 4e graduates at scale, which was overcome with the support of a catalyst, IDB, as described below.

Seek the support of catalysts where necessary to unlock action

Understanding stakeholder incentives and institutional capacity to work with 4e graduates has not only enabled the company to prioritize potential partners and determine how best to engage them, it has also showed where additional support from third parties is needed to catalyze their engagement. These third-party catalysts are organizations with the ability to provide the incentives and/or help build the institutional capacity stakeholders need to act. Such organizations often leverage their reputation, expertise, and money.

For example, in the case of Banco Agrícola in El Salvador, information from ILC was necessary but not sufficient to enable them to lend to 4e graduates on a significant scale. So the IDB came in to provide the missing pieces. IDB's Opportunities for the Majority Initiative assumed responsibility for up to US$5 million of the losses should borrowers default on their loans. In theory, Banco Agrícola might have been able to go ahead without IDB's support – but that support enabled the bank to move faster and do more than they are likely to have done without it. IDB's hope is that first-hand experience will give the bank the reassurance it needs to continue lending to small-scale retailers without its support once the agreement expires, and inspire other banks to follow its example.

3 INTEGRATING WITH CORE BUSINESS OPERATIONS

4e is a corporate social investment program catalyzed by executive leadership mandate. At the same time, it is closely linked to the value chain and in the process of integration with the company's core business operations. Many people consider corporate social investment and core business operations to be distinct and even mutually exclusive alternatives, two ends of a spectrum. But the 4e experience shows that they have the potential to be mutually supportive. Corporate social investment can be used to fund activities with longer payback periods than traditional commercial investment criteria typically dictate, or activities where financial returns are uncertain. At the same time, a clear business case and plan for integration with the core business help ensure that investment can be sustained and even scaled up, as needed, over time – even if, or when, executive leadership changes hands. Regional programs offer the potential for scale efficiencies, multiple contexts for learning to enhance effectiveness, and ultimately greater impact.

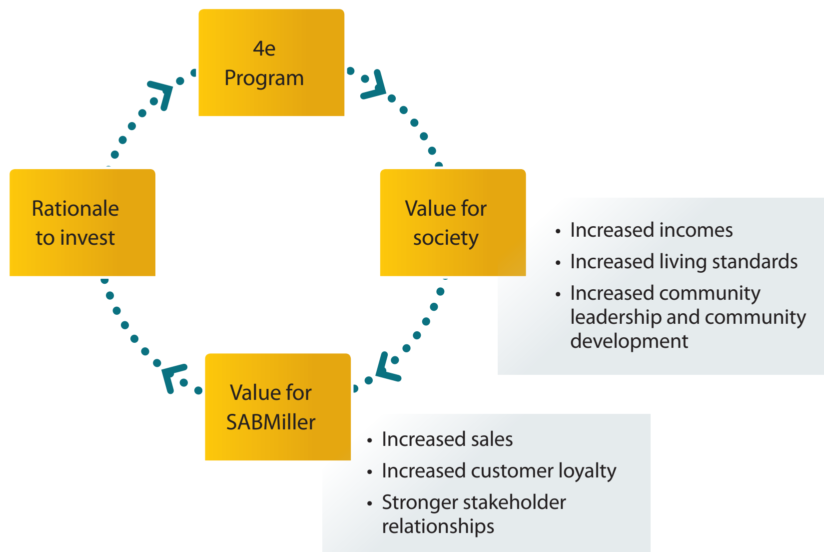
Integration rarely exists *a priori*; it is something a company must cultivate over time, and some 4e countries are farther along than others. SABMiller is learning a number of lessons about how to do so.

Create measurable value for the business and for society

The primary purpose of the 4e program is to create value for participating retailers, their families, and their communities. But it is the combination of value for society and value for the business that gives 4e its potential for scale and sustainability over time. Stronger sales, customer loyalty, and stakeholder relationships enable every level of the business to invest in the program – from the individual sales person whose relationship of trust with the retailer brings that retailer into the program, who is accountable for meeting individual sales targets, to the country CEO whose responsibility it is to approve the corporate social investment budget every year, and who is accountable for meeting overall profitability targets. Partners like FUNDES and MIF, who seek to create value for society at scale, also recognize the power of this link between business benefit and development impact, and prefer not to get involved in corporate social investment programs without it.

It is difficult to prove ahead of time that a corporate social investment program will create business value. Ironically, while it is difficult to prove that a new corporate social investment program

Figure 10. **Relationship between Business Benefit and Development Impact in the 4e Program**



like 4e will create business value, it can be almost as difficult to prove that it should. Even though internal stakeholders need a business case to act, given their incentive structures, they can also feel guilty for needing one. They may feel it is wrong to help disadvantaged segments expecting to get anything in return – and/or they may fear judgment from external stakeholders who feel it is wrong. SABMiller continues to work to articulate why, for a company, it is powerful for a social investment program to create value for the business as well as society. This is not only critical to embedding the 4e program within the business at a regional level, it is also critical to inspiring replication among SABMiller subsidiaries and other companies around the world, which is key to the program's potential for indirect impact.This transparency also helps to avoid misperceptions, and subsequent communications issues, among external stakeholders.

Cultivate country-level ownership with corporate-level leadership and support

The six SABMiller subsidiaries participating in the 4e program were all well-established, independent companies before 2001, with operating histories of between 86 and 126 years. Backus in Perú, for example, was established in 1879 and acquired in 2005. These companies all had their own social investment priorities prior to 4e, and the leadership mandate to invest 30 percent of their social investment budgets in a common regional program required them to shrink or cut existing programs and adjust their relationships with existing partners and stakeholders. It impinged somewhat on their accustomed sense of autonomy. As a result, cultivating their feelings of ownership over the 4e program has been essential.

In 2012, the company commissioned a stock-taking exercise that revealed that corporate social investment across the six countries now participating in the 4e program was highly fragmented: US$12 million in total spend was divided across 42 relatively small programs. This enabled the subsidiaries to see a need and opportunity to enhance their effectiveness and impact by consolidating, strengthening, and scaling the best ones.

Over the next year, corporate affairs and sustainable development staff from SABMiller Latin America and all six country subsidiaries held regular calls and two in-person meetings to consult among themselves and with external stakeholders, including IDB, to identify the programmatic areas with the greatest potential for impact on business and society. They chose to start with empowering small-scale retailers.

SABMiller has also worked to cultivate country-level ownership over the 4e program by requiring subsidiaries to cover the costs of implementing it in their countries (though this measure probably wouldn't have been sufficient in the absence of other measures, and has added some transaction costs compared to regional-level funding – for example, each subsidiary must do its own contracting and payments with FUNDES).

It must be noted that some countries are more satisfied than others with the balance between regional-level leadership and country-level ownership in the decision-making and development of the 4e program – though interviews suggest that in retrospect, they all feel that the change has been worthwhile. At the same time, the process of cultivating country-level ownership did not end when the program was launched. It is an ongoing task. Informally, the attitude and approach of the SABMiller Latin America regional program director is critical. Two formal operating and governance structures also play a role:

- **Operations Committee:** Made up of the SABMiller Latin America regional program director, the program leads from each of the six participating subsidiaries, the head of Fundación DIS, and the head of FUNDES, the Operations Committee manages the program on a day-to-day basis. Its members use shared project management software to track activities, milestones, and results, and meet monthly to review progress and decide on next steps. The program leads from the six participating subsidiaries also speak by phone every two weeks.

- **Friends Committee:** Made up of sales, marketing, information technology, and human resources personnel from SABMiller Latin America and the six participating subsidiaries, the Friends Committee helps to link the 4e program with other relevant business activities. It meets quarterly.

Provide flexibility for countries to customize and build upon the common core program

Up-front investment by SABMiller Latin America in 4e's classroom training and in-store mentoring methodology, project management software, and high-quality, regional-scale funding and delivery partnerships has helped facilitate the program's uptake in the six participating countries. Subsidiaries that had prior programs serving small-scale retailers fed their experience into the development of the 4e program, but those that did not were not required to spend any time or money up front to develop it.

At the same time, providing space for subsidiaries to customize and build upon the program is helping SABMiller Latin America integrate 4e with core business operations by cultivating country-level ownership and accommodating country-level nuances in business context in strategy. Almost all of the countries have customized the program in some way, within limits intended to maintain enough consistency to preserve economies of scale, ensure that lessons learned can be applied region-wide, and generate comparable results that can be aggregated, reported, and managed at a regional level.

Countries have customized the following dimensions of the 4e program:

Target segment. Ecuador and Panamá allow retailers that do not currently purchase SABMiller beers to participate in the program. In Ecuador, this helps bring new points of sale into the distribution network. In Panamá, this reflects the fact that many small-scale retailers do not sell beer, as a result of business licensing and registration requirements (they do sell the company's soft drinks). In another example, El Salvador has opened the program up to small bars and restaurants, in addition to retailers, since they are a key part of its market and growth strategy.

Curriculum. Ecuador and Perú both include a segment on the benefits of selling beer at the official price. This strengthens the program's value to the sales department (because retailers who charge more than the official price drive consumers to purchase competitors' products) and the sustainable development department (because responsible alcohol sales is a top priority).

Delivery system. Colombia and Ecuador are partnering with a national small business association and with municipalities, respectively, to use facilities for classroom trainings. Panamá has integrated corporate volunteers into the delivery of the 4e program, using them to provide transportation, serve meals, and engage with participating retailers in community projects.

Broader business ecosystem connections. Examples from Colombia and El Salvador have been described elsewhere in this report. Honduras is exploring partnerships with mobile telecommunications companies and banks with the potential to offer services that retailers need, and to share in the cost of the program that is helping turn those retailers into customers. Panamá is working to develop referral relationships with banks and other service providers. Perú is piloting a mobile phone-based payment system and exploring relationships with banks to offer access to credit and opportunities to earn additional revenue as branchless banking agents.

4 PARTNERING STRATEGICALLY

Partnerships have been mentioned throughout this report – and it is worth calling out explicitly the tapestry of relationships that underpins and enables the 4e program, from co-funding and delivering classroom training and in-store mentoring on business, life, and leadership skills (namely MIF and FUNDES) to strengthening participants' business ecosystems through access to information, technology, and financing (such as Banco Agrícola in El Salvador and FENALCO in Colombia). These partnerships enable 4e to do more, for more retailers, than it could as a unilateral effort by SABMiller on its own.

Going forward, SABMiller would like to bring additional partners into the fold to share the cost of meeting their ambitious reach targets, and perhaps exceed them, and to broaden the range of support services available to small-scale retailers. In theory, greater collaboration can enhance the financial sustainability, scale, and impact of the program. The company is now grappling with a number of common strategic balancing acts involved in realizing this potential, including:

- Balancing the costs and benefits for "anchor" companies such as SABMiller with those of partner organizations, including the loyalty and reputational benefits associated with program branding
- Balancing the number of partnerships with the transaction cost of securing and complexity of managing them
- Balancing breadth and inclusivity with consistency and quality control

SABMiller is in the process of developing a 4e partnering protocol that will establish hypotheses on these issues, to be tested and refined over time.

Conclusion and Recommendations

While the 4e Camino al Progreso program is new, it builds upon long-standing commercial relationships, previous social investment programs in several countries, and independent socio-anthropological research – and it aims to be both large in scale and transformational in impact. This case study has aimed to document the new and evolving 4e model and identify early lessons for core partners SABMiller, MIF, and FUNDES. It is hoped that these lessons will also be relevant for other companies, civil society organizations, donors, and governments interested in engaging with small businesses in large corporate value chains, especially those owned or operated by women. While 4e focuses on small retailers, many insights from the experience may be equally applicable to programs focused on other small businesses, such as small farmers, other suppliers, and distributors.

The 4e experience has highlighted the importance of empowering individual entrepreneurs and at the same time strengthening the broader business ecosystems in which they operate. Early results suggest the power of supporting participating entrepreneurs not only as business owners, but also as heads of household and community members – potentially leaders – and of working within their incentive structures, in which time, money, and self-perception factor greatly. At the same time, SABMiller, FUNDES, and MIF have recognized that participating entrepreneurs' success, particularly in the long term, will depend on access to a broader range of opportunities and services than they alone can provide, and they have begun to bring financial institutions, small business associations, technology companies, and others into the fold.

The 4e experience has also highlighted the potential for sustainability and scale of impact associated with embedding such programs within core business operations and at the same time leveraging strategic external partnerships. Corporate social investment is playing a critical complementary role alongside core business operations such as sales and finance. Business benefits, such as customer loyalty and increased sales, are building buy-in among sales and finance departments, and with it protection against budget swings and leadership changes. And an expanding network of partners is contributing complementary resources and capabilities to help broaden the program's reach and impact.

Finally, the 4e experience suggests a number of opportunities for stakeholders across sectors to help accelerate the replication and scale of small business support programs, as well as heighten their effectiveness. In particular:

Companies can:

1 **Focus on small businesses that are already part of their value chains, or have the potential to become part.** The connection with core business operations, and potential to generate business benefits as well as development impact, is critical to the sustainability and scale of any small business support program – and therefore a key social concern, as well as business concern.

2 **Combine core business operations and corporate social investment.** While corporate social investment does not, on its own, have the same potential for sustainability and scale, it can be a powerful enabler – catalyzing new approaches or providing ongoing funding for activities that generate business value but do not meet traditional hurdle rates.

3 **Identify and enlist champions across the organization,** at country subsidiary, regional hub, or global headquarters levels, and within business functions and social investment or sustainable development departments. Champions should understand and have the ability to

communicate the synergy between business benefit and development impact and the potential for partnership.

4 **Set clear objectives both for the number of small businesses to be reached and for the impact to be achieved.** Consider the impact for participating small business owners, their employees, families, and communities as well as the impact for the business, and articulate linkages among these.

5 **Evaluate the business case,** calculating financial returns on investment wherever possible in addition to capturing other non-financial benefits. This will enable replication by other parts of the business and informed discussions of opportunities, terms, and conditions for partnership with other organizations.

6 **Concentrate on understanding and measuring development impact.** This will fuel greater internal and external awareness of the company's role in development in general, as well as help to engage specific government, donor, and civil society partners.

7 **Prioritize opportunities to partner.** Funding, implementation, and ecosystem-strengthening partners bringing complementary resources and capabilities can help companies maximize the reach and impact of efforts to support the small businesses within their value chains. Other companies with overlapping value chains may be particularly promising partners. Recognizing the transaction costs involved in partnering, prioritize carefully, and talk explicitly about frequently tough issues such as cost-sharing, branding, and measuring and reporting results.

Public and private donors, including bilaterals such as the US Agency for International Development and the UK Department for International Development, multilaterals such as the United Nations Development Programme and the World Bank, and private foundations, can:

1 **Invest in strengthening the capacity of small business support services providers.** Pioneers like FUNDES, TechnoServe, CARE, and others have played important leadership roles over several decades, but there is a need for additional providers that are market-oriented and demand-driven to realize the full potential for empowering small businesses through corporate value chains. Dedicated capacity-building grants as well as project-specific set-asides for knowledge generation, training, and other activities could be considered.

2 **Catalyze programs with potential for sustainability and scale.** Ask companies to articulate the business case for proposed programs, and identify ways donor instruments could be used to strengthen it – for example, by reducing up-front cost or risk. Some donors have gone as far as to require that companies' expenses come out of their operating budgets, not corporate social investment budgets, as proof of business relevance. But the business case may have financial and non-financial components and it may be possible to demonstrate potential for sustainability and scale in other ways.

3 **Fund experimentation with technology-based delivery** of small business support services. Trial and error will help gauge technology's potential to reduce costs while maintaining quality and effectiveness, which some providers feel are closely linked to personal relationships and the "human touch."

4 **Advocate with governments.** Public donors, in particular, can use their primary relationships with governments to advocate for policies and programs that strengthen the enabling environment for small businesses to grow and participate in large corporate value chains.

5 **Use convening power to help bring additional partners to the table,** where useful to expand a program's reach and impact – directly and through demonstration effects. Relevant partners might include other donors, companies, and implementing partners as well as research institutes and convening organizations that can help spread lessons learned.

Governments can:

1 **Strengthen the enabling environment for small businesses** through policies and programs that help build knowledge and skills, simplify business registration and regulatory and tax compliance, facilitate market access, and increase access to credit and other financial services.

2 **Ensure that publicly-funded small business support services respond to market needs,** for example, by aligning training programs to the requirements of a country's most important industries.

3 **Engage with large domestic and foreign companies to explore opportunities for collaboration** to strengthen small businesses and capitalize on existing and potential value chain linkages.

Business, government, and the donor community – as well as civil society, academia, and the media – must also continue to drive the important shift now taking place in thinking about business as a development actor. More and more, stakeholders recognize that core business operations and value chains help to build skills and capacity, transfer technology, construct physical infrastructure, generate tax revenues for governments, and deliver products and services people need to be productive. Business value and development impact can be mutually reinforcing, and need to be if we are to live in a world in which we all live well within the limits of the planet. Through innovative combinations of core business operations, corporate social investment, and collaboration across sectors like we see emerging and evolving in 4e, we all have roles in making it happen.

Appendix 1 List of Stakeholders Interviewed

The CSR Initiative at the Harvard Kennedy School and Business Fights Poverty are deeply grateful for SABMiller's willingness to share its methodology and lessons learned, particularly at this early stage of the 4e Camino al Progreso Program, for the benefit of other companies, civil society organizations, donors, and governments interested in empowering small businesses within large corporate value chains. Special thanks are due to Andres Peñate and Catalina Garcia Gomez of SABMiller Latin America for their support for this case study and for their assistance reaching the wide variety of stakeholders who provided valuable input. These individuals are gratefully acknowledged below.

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Beth is Insights Director for Business Fights Poverty and a Senior Fellow at the CSR Initiative (CSRI). She has nearly fifteen years' experience researching and advising on inclusive or base-of-the-pyramid business models and cross-sector partnerships in various positions in the public, private, and non-profit sectors and academia. Most recently, she served concurrently as a Non-Resident Fellow at CSRI and Consultant to the International Finance Corporation (IFC), where she provided strategic advice and implementation support for the start-up phase of IFC's Inclusive Business Models Group. Previously, she directed CSRI's Economic Opportunity Programme, analyzing, documenting, and disseminating inclusive business activity together with partners such as the International Finance Corporation, United Nations Development Programme, World Business Council for Sustainable Development, and NGOs and companies around the world. She authored and edited eight reports in the CSR Initiative's Economic Opportunity Series, including a cross-cutting analysis and seven industry studies in the extractives, financial services, food and beverage, information and communications technology, health care, tourism, and utilities sectors. She has developed six inclusive business reports with IFC and co-authored the UNDP publication "Creating Value for All: Strategies for Doing Business with the Poor." Earlier in her career, Beth was responsible for developing and disseminating risk management concepts and capabilities at Booz | Allen | Hamilton, with special emphasis on the strategic risks companies face as a result of social, environmental, and international development issues. She also spent five years working on base-of-the-pyramid business models in the information and communications technology and housing sectors at the World Resources Institute and Ashoka. She is a graduate of Yale University and the Harvard Kennedy School.

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The Corporate Social Responsibility Initiative (CSRI) at the Harvard Kennedy School's Mossavar-Rahmani Center for Business and Government (M-RCBG) is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. The initiative explores the intersection of corporate responsibility, corporate governance, and public policy, with a focus on analyzing institutional innovations that enhance governance and accountability and help to achieve key international development goals. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among business, government, civil society and academics. Founded in 2004, the CSR Initiative works with a small Corporate Leadership Group consisting of global companies that are leaders in the fields of corporate responsibility, sustainability or creating shared value. The Initiative also works with other leading CSR and sustainability organizations, government bodies, non-governmental organizations and companies to leverage innovative policy research and examples of good practice in this field. The CSR Initiative is chaired by Professor John Ruggie and directed by Jane Nelson.

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Business Fights Poverty is the world's largest community of professionals passionate about harnessing business for social impact. Business Fights Poverty connects professionals to the latest practical insights and to a vibrant community of stakeholders in business, government and civil society—helping them deliver their innovations at scale. We help our members share their research and on-the-ground experience, conduct original research to deepen our collective understanding of what works, strengthen technical skills to develop and deliver innovations, increase capacity to scale and measure results, and create opportunities to identify and connect with delivery and financing partners. We harness one of the key benefits of social media: the dramatic reduction in the cost of reaching and engaging very targeted groups of individuals who share a common interest. Our goal is to strengthen the ecosystem for businesses fighting poverty, helping those developing profitable innovations with social impact to succeed at scale.

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