FROM SOCIAL GOOD TO SYSTEMIC CHANGE:
Learning from Southeast and South Asian Countries
Business as a force for social good is trending globally. This report examines companies that create shared value. The data draws on a survey of 191 domestic companies, based in 12 Southeast and South Asian countries, that position social value at the centre of their business model. The current analysis identifies and classifies strategies used to transform the business models of 84 firms selected from this pool. The resulting changes to the business model enabled each of the firms to drive systemic change.

The report first clarifies the underlying concepts of systemic change and systemic impacts. It then explores the “systemic change strategy” in two stages. Analysis revealed use by these firms of four widely used and commercially viable business models. As each firm altered its business model to enable systemic change, the next stage of analysis was to identify the strategic process used to transform each firm’s business model, and the specific outcomes in terms of systemic impacts, such as increasing scale and scope.

Based on our findings, this report proposes an “Impact-System-Strategy” analytical process. This process enables companies to scale the social impact of their business activities. This report encourages resource providers and policymakers to apply our findings to empower businesses as a force for addressing pervasive social issues.
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Introduction

Companies that seek to create shared value (CSV) must make strategic choices about how they generate social impact\(^1\). A construction company could apply new technology to building affordable houses intended for vulnerable people. This company can also train vulnerable people to learn this technology and provide house-building services to other members in their community. The first approach is top-down. It explores a new market segment while helping the poor.

The latter approach is peer-based. It provides new resources to relieve the housing issue, while challenging an existing system that supports the vulnerable by relying on top-down initiatives. This approach exemplifies “systemic” change. Its peer-based business model leads to deeper impacts on both individual and community development. The approach alters the role of beneficiaries, from resource receiver in the current system to resource provider. A peer-based service provision model also has far more potential to scale up business operations in local communities.

This report builds on analysis of 191 domestic companies in 12 Southeast and South Asia countries. Each firm pioneered business practices for addressing social problems in the region. They explicitly address social problems through viable business models. We identified 84 of these 191 companies as “systemic-change companies.” A systemic-change company is one that is changing or has changed both system elements and inter-element relationships and also shows evidence of scaling the impacts of these changes beyond the expansion of business activities. Appendix 1 shows the country distribution of sample companies. This report elaborates the strategies through which these companies altered their business models to drive systemic change and generate systemic impacts.

Understanding Systemic Change

The term “systemic change” refers to the dynamics of elements within a system and the relationships among them. This report focuses on those system elements underlying social problems, and views systemic change as an opportunity to target the root causes of these problems rather than their symptoms.

A system’s elements broadly include actors, resources, relationships, rules, and norms\(^3\).

The actor element includes the focal population affected by a social problem, and the major stakeholders such as governments, companies or international organizations who provide resources and govern the rules of the game related to a social problem.

The resource element describes approaches through which resources (e.g., energy, raw materials, financial capital) are created, acquired, allocated and exchanged.

The relationship element involves inter-beneficiary relationships (e.g., the self-organization of rural women), inter-stakeholder relationships (e.g., the coordination between governments and companies) and beneficiary-stakeholder relationships (e.g., the interaction between disadvantaged people and government agencies).

The rule element involves the formal rules of the game such as policies, regulations and industry standards that define and regulate actors’ behaviour and social relationships.

The norm element describes public values and cultural norms that incentivize, punish or constrain the behaviour of actors.

Systemic change produces systemic impacts along three dimensions: scaling out, scaling up and scaling deep\(^4\). These dimensions involve impacts on beneficiaries (e.g., individual, family and community development) and on surrounding environments (e.g., laws and cultural norms). Scaling out refers to the replication of practices to more locations and new contexts so as to influence more people. Scaling up refers to changing “rules of the game” such as laws and policies to enlarge impact from the top down. Scaling deep generates lasting and profound impacts such as transforming the mind-sets of beneficiaries and major stakeholders or shifting cultural norms.

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This report identifies a company as driving systemic change on the basis that it has changed or is changing system elements and relationships among elements, and these changes generate multi-dimensional impact. Table 1 summarizes how this research operationalizes systemic change, systemic impact and Systemic-change Company.

The companies in this study deployed their shared value business models to drive systemic change. This required their business models to be commercially viable. We will next explore how these companies altered their models to drive systemic change.

This report adopts the view of a business model as “a conceptual framework for identifying how an entity creates, delivers, and extracts value.” Commercial viability implies that this value is greater than the related expenses. A business model integrates multiple components. These include the core value proposition, differentiation sources, revenue sources, customer segments, operational capabilities, and value chain activities. Interactions among these components determine a company’s business viability.

Analysis identifies four widely adopted and viable business models used by the companies in the study. These models address specific social issues or problems, while acting as the company’s primary source of competitive advantage. Appendix 2 shows the country distribution of business models. Appendix 3 introduces the data analysis method.

The alternative technological solution (ATS) model creates shared value by providing technology-based products/services tailored to the needs of beneficiaries and customers, more cost-efficiently and/or more appealing than current options in the market. The ATS model often relies on sourcing undervalued inputs locally. One Indian company recycles the temple flowers that contaminate local rivers. The company acquires a vast amount of used flowers at low expense, which it uses to make packaging.

The community circular economy (CCE) model earns revenue from products produced within a community, which it reinvests into community development. Companies in our study adopted this model to produce diverse products, including food, cosmetic products, artworks, apparel, and tourism services. This model derives cost-efficiency through local sourcing of low-cost inputs such as waste materials and labour, and bypassing intermediate markets in favour of direct procurement from local suppliers. For example, Sukkha Citta is an Indonesian company that works with artisans in local villages to design, produce and sell handcrafted clothes. The company gains a significant cost advantage by sourcing local natural fibres, partnering with cost-competitive and capable local craftswomen, and skipping middlemen.

### Table 1. Analysing Systemic Change and Systemic Impact

<table>
<thead>
<tr>
<th>Systematic Change</th>
<th>Systematic Impact</th>
<th>Systematic-Change Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Changes in system elements including actors, relationships, resources, rules and norms</td>
<td>1. Scaling out the number of beneficiaries</td>
<td>1. Driving changes in system elements and inter-element relationships</td>
</tr>
<tr>
<td>2. Changes in inter-element relationships</td>
<td>2. Scaling up to change formal rules of the game such as laws and policies</td>
<td>2. Generating multi-dimensional impacts</td>
</tr>
<tr>
<td></td>
<td>3. Scaling deep to generate profound impacts at different levels such as individual mind-set, community development and cultural change</td>
<td></td>
</tr>
</tbody>
</table>

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Another source of cost-efficiency involves precisely tailoring supplies to local needs to avoid oversupplies. Swayambhu Innovative Solutions is an Indian company that recycles local community wastes into biogas. They build small factories in local communities to generate biogas to meet local energy demand. Each factory avoids overcapacity by matching its acquisition of waste and generation of biogas to the updated local demand.

The viability of the CCE model also derives from product and service differentiation. Accessibility to local knowledge and raw materials enables a company to provide products/services that have unique features and social value appreciated by a niche market. For example, Hilltribe Organics works with hill tribes in northern Thailand to pioneer the production of organic free-range eggs. The company is among the first in the country in providing biodegradable packaging. They continue to be the number one organic free-range egg brand in Thailand to this day.

The supply-demand linkage platform (SDLP) model generates social value by providing a platform to facilitate collaborations and transactions among beneficiaries or between beneficiaries and resource providers. A platform is an environment that provides capabilities, governance structures and standards. These tools empower more effective interactions at greater scale. The SDLP model can provide operational cost-efficiency and strong product and service differentiation, thus becoming commercially viable. Companies in our study established platforms that linked the supply and demand sides of a market, both through online tools and offline organizing processes.

Local Alike is a Thai company that provides an online marketplace platform to offer sustainable tourism services. This platform enables disadvantaged communities to efficiently manage their tourism businesses and connect with clients worldwide. Their platform maximizes resource synergies across local communities, allowing them to share valuable resources such as sleeping facilities, multi-lingual tour guides and licensed trek leaders. Meanwhile, the platform enables communities to design travel packages based on local attractions and carrying capacities. Because of high cost performance, unique travel products and customer experiences, Local Alike prospers in Thailand’s highly competitive tourism industry.

The last-mile solution (LMS) model completes a value chain to provide underserved areas with access to products and services. The model empowers beneficiaries to participate as customers, suppliers or salespeople in a previously inaccessible market. Effective operation of the LMS model requires building trust-based relationships with beneficiaries. This model allows a company to convert a large number of disadvantaged people untouched by mainstream products and services into loyal customers. Most of them will increase their consumption over time. Examples of last-mile service solutions provided by companies in our study include micro financing and entrepreneur training.

Kruosar Solar is a Cambodian company that integrates the ATS and LMS models. This company designed and sold solar home systems to meet the needs of off-grid households. Through these systems, users are able to extract more productivity from energy efficient appliances for the same amount of power and cost. The company established strategic partnerships with major Cambodian micro-finance institutions to provide end-user financing. This last-mile service leveraged these MFIs’ extensive networks and social capital to substantially increase its customer numbers.

Table 2 summarizes several ways the above business models create shared value.
Our research identified three strategies adopted by companies to drive systemic change. This section explains the key features of these three core systemic change strategies and demonstrates their use in altering system elements. These strategies distinguish companies from others that operate in the same industry and address the same social issue. Each core strategy has distinct features that enable a company to alter system elements in different ways. The three strategies described below are complementary rather than exclusive: in practice several of the 84 companies in the study applied multiple strategies.

**Peer-Based Value Chain (PBVC)**  
The PBVC strategy organizes beneficiaries in a peer-to-peer support system to manage value chain activities. The PBVC strategy replaces the conventional top-down approach of reaching, engaging with and organizing beneficiaries. The strategy decentralizes resource generation and allocation associated with a social problem. The resultant shift of power from resource providers to disadvantaged beneficiaries indicates a key feature of systemic change.

### Table 2. Viable Business Models for CSV

<table>
<thead>
<tr>
<th>Business Model</th>
<th>Source of Social Impact</th>
<th>Source of Commercial Viability</th>
<th>% of Companies Adopting Model</th>
</tr>
</thead>
</table>
| Alternative Technological Solution | Technology-based products/services tailored to the needs of beneficiaries                 | 1. Cost-efficiency due to no-frill designs  
2. Cost-efficiency due to local sourcing of undervalued inputs  
3. Product / service differentiation                                                   | 52                                           |
| Community Circular Economy       | Creating jobs for beneficiaries and reinvesting profits into community development        | 1. Cost-efficiency due to local sourcing of undervalued inputs and direct procurement  
2. Cost-efficiency due to tailoring supplies to local demands  
3. Product and service differentiation                                                   | 36                                           |
| Supply-demand Linkage Platform  | Facilitating collaborations and transactions among beneficiaries and between beneficiaries and resource providers | 1. Cost-efficiency due to low-cost product/service management  
2. Cost-efficiency due to resource synergies across platform users  
3. Product and service differentiation                                                   | 13                                           |
| Last-mile Solution               | Completing a value chain to enable beneficiaries to gain access to products and services  | Strong access to a large and growing customer basis                                              | 15                                           |

### Transforming the Business Model to Drive Systemic Change

Our research identified three strategies adopted by companies to drive systemic change. This section explains the key features of these three core systemic change strategies and demonstrates their use in altering system elements. These strategies distinguish companies from others that operate in the same industry and address the same social issue. Each core strategy has distinct features that enable a company to alter system elements in different ways. The three strategies described below are complementary rather than exclusive: in practice several of the 84 companies in the study applied multiple strategies.

**Peer-based value chain - the Drinkwell System Case**

Drinkwell System provides clean drinking water in Bangladesh through a low-cost technology. The company identifies local villagers as franchisees and works with them to build up water filtration systems that serve the local community. Then, local franchisees are responsible for maintaining the day-to-day operations of water filtration plants. The company also trains local villagers to work as "customer success teams" to solve technical issues for users in the community.

The PBVC strategy enables each business model to alter the actor, relationship and resource elements of a system. Table 3 summarizes how the strategy organizes business models to drive systemic change.

Companies adopting the ATS model have used the PBVC strategy to promote their solutions and acquire inputs. The strategy relies on disadvantaged community members to explain and promote a technological solution to other members. Disadvantaged people are organized to collect raw materials from community members. Disadvantaged people, as a result of the strategy, change from the victim of a social problem to a solution of the problem.

The PBVC strategy is also widely used to implement a technological solution, such as building and maintaining facilities, manufacturing products, delivering products and services, and managing inter-customer interactions. Community members are organized to build and operate, for example, water filtration systems. School students are trained to use the Internet, and then take responsibility for teaching other students and tracking their performance.

Companies adopting the CCE model leverage a peer-based system to organize and deliver services to beneficiaries and expedite community development. Community-based companies have organized women in disadvantaged communities to provide peer-to-peer learning of handicraft skills. These women also work in groups to develop education and healthcare activities in their communities.

Companies adopting the SDLP model build on intermediary platforms to facilitate peer-to-peer resource exchange between beneficiaries. One company sets up mini-grid networks in Bangladesh’s rural communities. Local households generate their own electricity and buy and sell excess power through these networks. Users can buy, sell, and make money on this power-trading platform.

Companies adopting the LMS model use a peer-based system to fill in value chain gaps that leave a large number of people underserved. They leverage local knowledge and people to develop low-cost alternatives to mainstream value chains (e.g., supply and distribution systems) that are missing in disadvantaged markets.

Table 3. How Peer-Based Value Chain Drives Systemic Change

<table>
<thead>
<tr>
<th>Strategic Change Strategy</th>
<th>Application to Business Model</th>
<th>Target Systemic Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alternative technological</td>
<td>Actor: Shifting</td>
</tr>
<tr>
<td></td>
<td>solution</td>
<td>beneficiaries from</td>
</tr>
<tr>
<td></td>
<td>Community circular economy</td>
<td>victim to value</td>
</tr>
<tr>
<td></td>
<td>Supply-demand linkage</td>
<td>creator</td>
</tr>
<tr>
<td>Peer-based promotion and</td>
<td>Peer-based beneficiary-</td>
<td>Relationship: Reorganizing</td>
</tr>
<tr>
<td>operation of a</td>
<td>enabling services and</td>
<td>beneficiaries as a</td>
</tr>
<tr>
<td>technological solution</td>
<td>community development</td>
<td>peer-to-peer system</td>
</tr>
<tr>
<td></td>
<td>Peer-based resource exchange</td>
<td>Resource: Decentralizing</td>
</tr>
<tr>
<td></td>
<td>via a platform</td>
<td>resource provision,</td>
</tr>
<tr>
<td></td>
<td>Peer-based supply, sales and</td>
<td>enabling beneficiaries'</td>
</tr>
<tr>
<td></td>
<td>distribution systems</td>
<td>resource independence</td>
</tr>
</tbody>
</table>

Technological solution becomes a vehicle that triggers a self-driven process of individual and community development.
The above activities replace the conventional top-down approach of supporting disadvantaged people, transforming them from resource receivers to resource creators (i.e., the actor element of a system). Beneficiaries are reorganized to serve one another, which alters the conventional relationship among beneficiaries (i.e., the relationship element). The peer-based system reduces beneficiaries’ reliance on governments or external agencies for resources (i.e., the resource element). The PBVC strategy also enables mutual reinforcement between system elements. For example, the trust-based relationship between beneficiaries is able to motivate more beneficiaries to adopt an alternative solution and hence change their behaviour.

Collective solution development (CSD)
The CSD strategy brings together stakeholders associated with a social problem to study and identify the root cause of the problem and develop a locally specific solution.

The strategy coordinates and focuses stakeholder actions. It enables stakeholders to fulfil their interests and agendas through pursuit of a common purpose, that of addressing a relevant social problem. Coordination of the actions of key stakeholders across a wide range of social sectors is a necessary component of systemic change. Systemic change requires leadership capable of actively influencing major stakeholders. Solutions for addressing complex and intractable problems such as climate change demand coordinated action by multiple stakeholders across diverse sectors and levels. This requires forming coalitions composed of multiple stakeholders across governments, private sector actors and industry associations. These serve as key “system actors.”

The CSD strategy enables each business model to alter the actor, relationship and rule elements of a system. Table 4 shows how the strategy revises business models to drive systemic change.

How a peer-based value chain drives systemic change - the Waste Concern case

Waste Concern transforms organic wastes into fertilizer in Bangladesh, through its unconventional waste management system. The company hires impoverished community members (mainly women) to collect organic kitchen waste from local communities and slums. The company trains collectors to promote the solution while they collect kitchen waste. The company sets up composting plants near each community and involves local people in plant operations. These policies change community members’ behaviour and relationship through participation in waste management and by serving other members.

Disadvantaged members become assets to their community. Income generated through waste management flows back to disadvantaged members and community development. This reduces beneficiaries’ dependence on government and external funding which is typical of traditional waste management initiatives. The PBVC strategy triggers mutual support between system elements. For instance, the strengthened peer-support relationship between community members attracts more members to join in the business and change their behaviour.

These changes enable Waste Concern to scale out and scale deep. The company replicated its model in 26 Bangladesh towns and in other Asian and African countries, benefiting about 2.9 million people. The company substantively improved quality life disadvantaged community members’ and created jobs for around 1,000 urban poor.

Collective solution development -
the Ujjwal case

Ujjwal is an Indian toy manufacturer. It uses teaching toys as a tool for integrating handicapped children into normal schools. The company has built a large network of stakeholders around its toy products and teaching aids services. The network includes non-profit organizations (NPOs), companies, schools and government agencies. Some members include the Spastic Society of India, the Association for Mentally Handicapped, the National Institute for Visually Handicapped, the National Association for the Blind, the Department of Special Education and the Child Guidance Clinic and Delhi University. Network members help Ujjwal try out product prototypes, receive teaching aids trainings and provide suggestions to keep improving its solution.

Companies that adopt the ATS model often form a stakeholder-led committee comprised of local government representatives, civil society organizations, business leaders and community leaders. This group helps identify project sites, tries out product prototypes and provides improvement suggestions.

Companies that adopt the CCE or the LMS model may link a multi-stakeholder group with disadvantaged beneficiaries, in addition to core business activities such as weaving products or making small loans. These companies regularly invite local elites, brokers and government representatives to attend meetings to discuss issues of community development and product/service accessibility with the disadvantaged.

Companies adopting the SDLP business model involve stakeholders and beneficiaries as platform users and facilitate their communication and collaboration. A company sets up an online platform that enables individuals to launch a project to address social issues. These issues may range from a homeless man on the street corner to someone struggling with her business. The platform includes functions specific to individual people, non-profit organizations and government agencies, enabling them to efficiently build partnership for addressing social issues.

The CSD strategy strengthens stakeholders’ understanding of and participation in the resolution of social problems. This empowers the actor element of a conventional system that is inefficient in addressing a problem partly due to the lack of participation by major stakeholders. The strategy coordinates uncoordinated stakeholders and facilitates the

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<tr>
<td></td>
<td>Alternative technological solution</td>
<td>Community circular economy</td>
</tr>
<tr>
<td><strong>Collective solution development</strong></td>
<td>Coordinating stakeholders and beneficiaries around a technological solution</td>
<td>Coordinating stakeholders and beneficiaries around community development</td>
</tr>
</tbody>
</table>

Table 4. How Collective Solution Development Drives Systemic Change

Actor:
Changing stakeholders’ mindset and behaviour

Relationship:
Coordinating uncoordinated stakeholders; rebuilding the stakeholder-beneficiary relationship

Rule:
Changing government policies and initiatives
stakeholder-beneficiary communication, altering the relationship element of a system. The strategy enables companies to influence the development of new policies and government initiatives. The strategy also enables changes in the inter-element relationship. For example, the government’s deep involvement in solution development and the recognized effectiveness of the solution encourage policy change for supporting the solution.

How collective solution development drives systemic change - the EPIC Home case

EPIC Home is a Malaysian company with innovative house-building technology. It developed a collaborative ecosystem involving community groups, non-profit organizations, government agencies, companies and educational institutions. These parties work together to recognize a community’s resources that they can leverage on to address community problems. They identify a group of local champions who are responsible for implementing and promoting the house-building technology.

The company enables major stakeholders to better understand and take actions on community problems. This alters the actor element of the conventional system of supporting the vulnerable. The company changes the relationship element by coordinating stakeholders and strengthening their communication with the vulnerable people. The Department of Orang Asli Development includes the company’s solution in the government agenda of house-building and community development. This suggests the company’s impact on formal rules that define the approach for addressing the housing issue. The company alters the inter-element relationship considering that the government’s engagement with beneficiaries and other stakeholders in developing a solution facilitates policy change.

The CSD strategy helps EPIC Home scale out. It built over 100 homes in 10 villages within five years and replicated its model overseas. The company scaled up by working with the government to formally replicate its model. It scaled deep by empowering the vulnerable to become house-building specialists and community development champions.

Embedded Mobilization (EM)
Companies adopting this strategy raise awareness and drive collective actions toward a common purpose through their business model and in their daily business operations.

Mobilization is the process that brings people together and inspires them to take collective action to achieve a common purpose. Mobilization is a key enabler of systemic change. Systemic change is a very unlikely outcome when the source of a social problem with deep roots in the current system is invisible to those affected. Neither can change take place until people change the conventional mind-set and behaviour that prevent them from addressing a problem. Companies in our sample engaged in large-scale awareness-raising activities to reveal the deeper causes of social problems. These activities inspired beneficiaries and stakeholders to adopt and act upon proposed solutions to these problems.

Embedded mobilization - the Karo Sambha case

Karo Sambha is an Indian company that developed a movement to encourage people to recycle electronic wastes responsibly, by using its innovative e-waste management solution. The company invests extensively in building awareness and encouraging right actions among schools and consumers. This changes the waste management behaviour of young people and mass consumers who are major e-waste generators.

The company established partnership with 1,100 schools, 1,450 waste aggregators and 2,200 waste pickers, and expanded to 68 cities and 29 states and union territories. Its EM strategy shifts beneficiaries and stakeholders’ mind-set and approaches to a social problem.

The EM strategy enables each business model to alter the actor, relationship, rule and normative elements of a system. Table 5 shows how the strategy transforms business models to drive systemic change.
Table 5. How Embedded Mobilization Drives Systemic Change

<table>
<thead>
<tr>
<th>Systemic Change Strategy</th>
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<th>Target Systemic Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alternative technological solution</td>
<td>Community circular economy</td>
</tr>
<tr>
<td>Embedded Mobilization</td>
<td>Using technological solutions to raise awareness and drive collective actions</td>
<td>Using beneficiary products to raise awareness and drive collective actions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actor:</th>
<th>Changing beneficiaries and stakeholders’ mind-set and behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relation:</td>
<td>Coordinating unconnected stakeholders; rebuilding the stakeholder-beneficiary relationship</td>
</tr>
<tr>
<td>Rule:</td>
<td>Changing government policies and initiatives</td>
</tr>
<tr>
<td>Norm:</td>
<td>Reshaping public perception of beneficiaries; reducing social prejudice</td>
</tr>
</tbody>
</table>

Companies adopting the ATS model invest in education and training activities among community members, school students or the general public. They explain social problems and encourage stakeholders and beneficiaries to take joint action. A solar lighting solution provider partners with hundreds of rural schools to encourage post-school learning. A biomass cook stove producer provides extensive healthcare education to a large number of rural women. The products and services they provide serve as tools for mobilizing behavioural change related to a target social problem.

Companies adopting the CCE model build on a community-based business to drive collective actions. These companies regularly launch or join awareness-raising activities where they exhibit beneficiaries’ products and share messages about social problems and solutions. These activities build networks of sympathetic stakeholders and the general public across social sectors. One company trains women from mountain tribes to design and produce art crafts. They showcase the products in nationwide and international exhibitions to raise public awareness of social problems in the region. The company developed and maintains a large network of supportive people and organizations to address these issues.

Companies adopting the SDLP model use intermediary platforms to raise awareness and drive collective actions. A technology-based platform can serve as a mobilization tool. Such a platform enables low-cost exchanges of information and facilitates large-scale collective actions. One company created an open source platform to present house-building designs created by the company and its partnering construction and design firms. The platform soon became a collaborative space that educates and attracts people from around the world, particularly urban change makers. Participants learn about, share, and use these design solutions to build homes for disadvantaged rural people.
Companies adopting the LMS model harness the local value chain they build up to raise awareness about social problems and drive collective actions. They train suppliers, salespersons and clients along the value chain to conduct formal and informal awareness-raising activities, such as yard meetings and school campaigns. The scale of collective actions accelerates as more join the value chain to become part of a new solution for an old problem. Many companies apply the EM strategy to sell goods or make loans to the rural poor. Several were able to acquire hundreds of thousands of clients every year.

The EM strategy shifts beneficiaries and stakeholders’ mind-set about how to alternatively approach a social problem, altering the actor element of a system related to this problem. By aligning people and organizations around a common purpose, the strategy alters the relationship element. Adopters of the EM strategy actively lobby for policy change, influencing the rules element. The norm element changes when mobilization activities reshape public perception of actions by beneficiaries or reduces prejudice against them. The strategy also alters the inter-element relationship. Widespread understanding of a social problem and changing perceptions often facilitate development of new policies.

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**How embedded mobilization drives systemic change: the Toraja Melo case**

Toraja Melo seeks to reverse Indonesia’s long-standing pattern of women migrating from rural areas in search of jobs. The company views the issue as rooted both in economic (e.g., lack of business skills) and cultural (e.g., social discrimination) systems that deprive rural women of employment opportunities. Its strategy is to mobilize social changes by reviving traditional weaving culture and techniques in remote communities.

Toraja Melo trains disadvantaged women in traditional weaving techniques, sells their products, and reinvests the revenue in the community. The company develops extensive awareness-raising campaigns through education and nation-wide exhibitions of weaving products. These activities mobilize support for traditional weaving. To leverage the influence of high-impact individuals across social sectors, the company co-founded Wastra Indonesia and built an alliance of government officials, movie stars, fashion icons and other stakeholders with strong social impact. This alliance works toward its shared vision of reviving weaving culture and empowering women.

Toraja Melo shapes rural women’s perception of traditional weaving as a promising career option. This empowers the actor element in social-economic systems related to migration. The company coordinates major stakeholders and facilitates stakeholders’ engagement with disadvantaged women. This alters the relationship element. These changes enable the company to scale out to replicate the business in 20 provinces and overseas, and influence thousands of women weavers.

The company alters the rules of the game and scales up its impact by lobbying for government policies that mandate the use of local textiles in ceremonies and civil services. The company alters social norms and scales its impact deep by reducing social discrimination against lower-status women (due to the local caste system). Many women weavers at the bottom of the caste system became the main breadwinners in their families.

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**In a nutshell...**

A company can become a systemic-change maker by adopting one or more systemic change strategies. For example, a company adopting the CCE model may organize community residents to work as micro-entrepreneurs to produce and sell products with local cultural features. In contrast, a systemic-change company can apply the EM strategy to the CCE model, influencing policies and shifting the public perception of the traditional culture. A bank may adopt the LMS model to extend microfinance services to disadvantaged communities. A systemic-change company may instead use the PBVC strategy to enable community members to manage the local microfinance business.
Table 6. Adoption Rate of Systemic Change Strategy by Business Model

<table>
<thead>
<tr>
<th>Strategies: Business Model:</th>
<th>Peer-Based Value Chain (%)</th>
<th>Collective solution development (%)</th>
<th>Embedded mobilization (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative technology solution</td>
<td>14</td>
<td>43</td>
<td>17</td>
</tr>
<tr>
<td>Community circular economy</td>
<td>9</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Supply-Demand Linkage Platform</td>
<td>17</td>
<td>46</td>
<td>33</td>
</tr>
<tr>
<td>Last mile solution</td>
<td>21</td>
<td>68</td>
<td>21</td>
</tr>
</tbody>
</table>

Table 6 shows the distribution of each systemic change strategy by companies using a specific business model. Note that many of these companies used more than one strategy.

**Impact of Systemic Change**

Each of the 84 systemic-change companies generated multi-dimensional impacts. In terms of scaling out, 84% of these companies were able to replicate their model in multiple locations. A substantial number (19%) reached more than one million beneficiaries. In scaling up, 18% of these companies succeeded in changing policy at local and national levels. In scaling deep, 40% of companies measured and publicly reported substantive beneficiary income growth. All companies reported evidence of social and economic development by individual beneficiaries, families or communities. All the above indicators for firms that adopted a systemic change strategy are well above the average level for those that did not. Table 7 reveals that the 84 systemic-change companies generated advantageous impacts across multiple dimensions, compared to the 107 non-systemic-change companies.

Table 7. Comparing Impacts: Systemic-Change vs. Non-Systemic-Change Companies

<table>
<thead>
<tr>
<th>Impact Dimension</th>
<th>Impact Indicator</th>
<th>% Non-Systemic-Change Company</th>
<th>% Systemic-Change Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scaling Out</td>
<td>Within-country expansion (e.g., communities, cities, regions)</td>
<td>48</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>International expansion</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Beneficiary scale 1</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1-100 people</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100-1,000 people</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>1,001-10,000 people</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>10,001-100,000 people</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>100,001-1 million people</td>
<td>19</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>&gt; 1 million people</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Scaling Up</td>
<td>Policy change at local and/or the national level</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Scaling Deep</td>
<td>Beneficiary income growth (stated the size of income growth)</td>
<td>16</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Beneficiaries’ personal, family and community development (e.g., improvement on economic or family status, family healthcare, child education) or public perception change</td>
<td>62</td>
<td>100</td>
</tr>
</tbody>
</table>

*Note: 50% of non-systemic-change companies and 89% of systemic-change companies were able to provide information on beneficiary scale.*
Conclusion

This report identifies three strategies used by CSV companies to drive systemic change. Based on our findings, this report proposes an analytical process of “Impact-System-Strategy.” This process of analysis provides a general guidance for managers to upgrade their social and business impact through driving systemic change. Figure 1 illustrates this process.

Managers must also clarify how systemic change may affect the company’s commercial viability. For example, companies providing technological solutions to serve the rural poor may wonder how improving beneficiaries’ awareness about a social issue and lobbying for policy support to the proposed solution might influence customer acquisition. For companies that organize disadvantaged members of the community to produce and sell products, managers may explore how building peer-to-peer support among beneficiaries could reduce management cost, develop markets, or improve productivity.

Figure 1: Analytical Process of “Impact-System-Strategy” for Engaging Systemic Change

<table>
<thead>
<tr>
<th>Impact</th>
<th>System</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>What a type of systemic impact to generate?</td>
<td>What a change in system elements is required to generate the target impact? How does this change contribute to business viability?</td>
<td>How to organize the business model to drive the type of change in system elements and generate the target impact?</td>
</tr>
</tbody>
</table>

The process involves three sets of related decisions: 1) targeting the desired social impacts, 2) analysing systemic change needed to achieve these impacts, and 3) selection, development and execution of strategies for driving systemic change.

In the “impact” component of the analysis, managers clarify the target social issue and the type of impact they want to make. Managers can pursue multi-dimensional impacts as a combination of a larger number of beneficiaries influenced by their business, a deeper influence on beneficiaries’ individual, family and community development, an influence on government policies and initiatives, and an influence on cultural norms.

In the “system” component, managers identify the type of systemic change required to resolve or alleviate the target social issue, along with the implications of systemic change for their business viability. The following questions help clarify the former point. First, what are the key elements and inter-element relationships in the system underlying the target social issue? Second, how do these elements and relationships constrain the resolution of the issue? Third, what specific changes in these elements and relationships will potentially resolve the issue?

These questions identify potential synergies between a company’s social impact and its business growth potential. Each of the four business models identified in this report contain synergies that allow systemic change to support business growth and at the same time leverage business growth to drive systemic impacts.

In the “strategy” component, managers make strategic decisions to formulate and implement a business model to generate the desired systemic change. Application of the three strategies identified in this report to different business models will provide useful insights for managers.

The report does not exhaust all possible strategies that companies can use to drive systemic change. Instead, these findings serve as references points for managers to draw patterns and set benchmarks. This report also encourages resource providers and policymakers to apply these findings to identify and support businesses as a force for addressing intractable social issues.
## A. Appendices

### Appendix 1: Country Distribution of Companies

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Companies</th>
<th>Number of Systematic-Change Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Cambodia</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>India</td>
<td>91</td>
<td>51</td>
</tr>
<tr>
<td>Indonesia</td>
<td>37</td>
<td>11</td>
</tr>
<tr>
<td>Laos</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Philippines</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Thailand</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Vietnam</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>191</strong></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>

### Appendix 2: Country Distribution of Business Models

<table>
<thead>
<tr>
<th>Country</th>
<th>Alternative technological solution</th>
<th>Community circular economy</th>
<th>Supply-demand linkage platform</th>
<th>Last mile solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Cambodia</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>India</td>
<td>51</td>
<td>25</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Indonesia</td>
<td>13</td>
<td>20</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Laos</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Myanmar</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Philippines</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Thailand</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Appendix 3: Data Collection and Analysis

This paper builds on an original database of 191 domestic social enterprises operating in 12 Southeast and South Asia countries. CEM compiled this database by collecting extensive information about each company from web pages, media reports and organization-internal documents. These companies are awarded and/or funded by leading social venture-supporting agencies such as Ashoka Foundation, DBS Foundation, Mulago Foundation, Schwab Foundation and Skoll Foundation. They demonstrate leading social enterprise practices in the region.

The dataset applies well to the research purpose of this report. Well-performed and internationally recognized social enterprises are good candidates for an analysis of viable business models creating social and business values. Public outlets contain extensive information about these companies’ strategies, activities and impacts. This allows the author to analyze whether or not and how they engage in systemic change.

The author and a research assistant conducted a three-step coding to inductively identify these companies’ viable business models, and systemic change strategies if any. The first step is the open coding of business models. A business model in this paper describes how a social enterprise creates, delivers, and extracts both social and business values. It is an integrated expression of target beneficiaries and customers, the products and services created for generating both business and social values, the organization of value chain activities for engaging with beneficiaries and stakeholders, and the approaches of producing and delivering products/services. The analysis of business models identified each company’s form of organizing these components to achieve commercial viability while it creates social value.

The author and a research assistant independently coded the data. They discussed the coding and resolved discrepancies particularly in underlying concepts that could capture the varying interpretations. This process led to the identification of four viable business models: alternative technological solution, community circular economy, supply-demand linkage platform and last mile solution. Each business model captures unique sources of commercial viability. One company can employ multiple business models.

Second, the research team conducted open coding of whether or not and how each company altered elements and inter-element relationships inherent in a system associated with a social problem. For example, we coded if a waste management company changed the way beneficiaries and stakeholders understood and acted on waste management (i.e., actor element), reorganized beneficiaries or coordinated previously uncoordinated stakeholders (i.e., relationship element), shifted the way financial resources were generated and allocated to support waste management (i.e., resource element), or changed policies (i.e., rule element) and public perceptions (i.e., norm element) about waste management.

We identified systemic impact by coding if a company has scaled impact along more than one dimensions including scaling out, scaling up and scaling deep. The scaling out dimension is indicated by the number of reached beneficiaries and the expansion of operation locations. Scaling up is indicated by changes in government policies and initiatives. Scaling deep is indicated by beneficiaries’ income growth, their personal, family and community development, and public perception change. We identified 84 out of the 191 companies as systemic-change companies. These companies have or are changing system elements and have generated multi-dimensional impacts. At the end of the second step, we understood each company’s business models and their involvement in driving systemic change.

The third step involves the axial coding of the connections between business models and systemic change activities both within a company and across 84 companies. A connection demonstrates the approach(es) through which a company organized a business model to alter one or more system element. For example, a company adopted a new house-building technology (i.e., alternative technological solution) and used a peer-based system to organize previously unorganized vulnerable people (i.e., relationship element) to implement the technology. In this case, we coded a connection as a “peer-based approach” that enables the business model of alternative technological solution to change the relationship element of a conventional system of supporting vulnerable people. This coding resulted in a concept of “peer-based approach” that connects two concepts of “alternative technological solution” and “relationship element.”

We aggregated recursive connections (or approaches) to describe a systemic change strategy. Therefore, a systemic change strategy is about an approach or a set of approaches that organizes a particular business model to drive systemic change. To arrive at a representative and parsimonious set of strategies, we reduced a strategy’s level of nuances and kept a strategy that makes sense to key features of systemic change found in existing studies. For example, we stopped categorizing different types of peer-based approaches and instead used “peer-based approach” to inform a strategy. This is because those different peer-based approaches commonly decentralize power to solve a social problem, which has been found important in effective systemic change initiatives. One systemic change strategy can serve different types of business models and drive the change of different system elements. Our analysis resulted in three systemic change strategies: peer-based value chain, collective solution development and embedded mobilization.
B. Glossary

**Alternative technological solution:** A business model that creates shared value by using cost-efficient technology-based products or services that meet beneficiaries’ needs better than do existing options.

**Collective solution development:** A strategy that brings stakeholders affecting or being affected by a social problem together to study and identify the root cause of a social problem and develop a locally specific solution.

**Community circular economy:** A business model that creates shared value by generating profits from products made by community members, then reinvesting the profits back into community development.

**Creating shared value:** Systematically incorporating social value in the business model and the business operation in pursuit of joint growth of financial performance and social impact.

**Embedded mobilization:** A strategy that conducts awareness-raising activities and drives collective actions around a common purpose through a company’s business model and in their daily business operations.

**Last-mile solution:** A business model that creates shared value by completing a value chain to provide beneficiaries with access to previously inaccessible products and services.

**Multi-dimensional impact:** Increasing social impact along three dimensions: scaling out, scaling up and scaling deep. Scaling out impacts more beneficiaries by replicating practices in more locations and contexts. Scaling up requires changing the rules of the game such as laws and policies. Scaling deep transforms stakeholder mind-sets and behavior modes, often by shifting cultural norms.

**Peer-based value chain:** A strategy that manages value-chain activities through a peer-to-peer support system of organizing beneficiaries.

**Platform:** An environment that provides governance structures and standards for people to interact more effectively at large scale.

**Supply-demand linkage platform:** A business model that relies on online tools or offline organizing processes to create shared value by facilitating large-scale interactions and transactions among participants, such as buyers and sellers or beneficiaries and resource providers.

**System:** An interconnected set of elements coherently organized to generate meaningful outputs.

**Systemic change:** An intentional process for addressing a social problem by altering the main elements and inter-element relationships within the current system underlying this problem.

**Systemic-change company:** A company that is changing or has changed both system elements and inter-element relationships, and shows evidence of generating multi-dimensional impact through these changes.

**Systemic impact:** Lasting and multi-dimensional impact resulting from systemic change.
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