

Defining Social-Business Hybrid Value Chains

Definition: Pioneering social-business models that leverage the assets and capabilities of business and citizen sector organizations (CSOs) to systemically address low-income populations' needs through the delivery of essential products and services. Ashoka's aim in advancing this approach is to serve low-income populations at unprecedented scale by creating new industries, mobilize massive resources for CSOs and enable businesses to achieve their full potential for social transformation.

Minimum Criteria for Social-Business Hybrid Value Chains:

1. Is it an example of congruence between the business and citizen sectors?
 - Does it involve at least one business¹ and one citizen sector organization²? *Other players like investors and local and national governments may also be involved as enablers*
 - Does it leverage the core assets and capabilities of business and citizen-sector partners?
 - Is it a strategic collaboration that goes beyond a buyer-seller or consultant-client relationship, involving the adoption of new practices for all partners over the long-term?
2. Does it contribute to improving the lives of low-income populations?
 - Does it go beyond the mere distribution of products or services to address low-income populations' needs through complementary services (e.g. access to finance, market linkages for producers, awareness campaigns) and by scaling social services that CSOs provide?
 - Does it tangibly improve the livelihoods and well-being of low-income populations?
3. Is it market-based?
 - Do low-income populations pay for the products or services provided through the Hybrid Value Chain? *Whenever possible, low-income populations are also involved as producers*
 - Does it represent a significant profit opportunity over the long-term for partnering businesses and CSOs?
 - Do partnering organizations invest, share the revenues, and share the risks generated through the Hybrid Value Chain? *The scaling-up of HVCs most likely requires a combination of grants, for-profit investment and sweat equity*

A Social-Business Hybrid Value Chain Model is Not:

- A Corporate Social Responsibility initiative strengthening low-income communities through philanthropic partnerships with local CSOs
- An initiative centered exclusively on developing markets for profit motive where social transformation is a side effect

Example of a Hybrid Value Chain:

35 million smallholder farmers live under two dollars a day in Latin America. Irrigation technology could enable them to double or triple their incomes but only about twelve percent of agricultural land is irrigated. In order to democratize access to quality irrigation systems, Ashoka has brokered a commercial partnership between a multinational water system company and several CSOs working on rural issues. The result is the creation of a new market and new delivery channels serving low-income farmers:

- CSOs are key market enablers thanks to their deep understanding of small farmers' needs, and their trust-based relationships with these communities. Their role includes promoting irrigation, mobilizing needed sources of consumer financing and helping farmers link to markets to sell their increased production. Their return includes a commission on sales to cover operational expenses and advance their social programs
- For the company, the countless farmers who are currently deprived from adequate irrigation technology in the world represent a significant market opportunity. The company reengineered its traditional business model to increase the cost effectiveness of small individual transactions, especially with regards to quotation, system design and installation that have evolved towards simplification and shared use.

¹ Defined as an organization primarily seeking economic profits

² Defined as an organization primarily seeking social value. Ashoka has adopted the terms "Citizen Sector" and "Citizen Sector Organization" instead of negative definitions such as "Non-Profit" and "Non Governmental Organizations". The scope of these organizations may range from economic development to health, education, environment, etc.