



# WHAT DOES IT TAKE TO GO BIG?

MANAGEMENT PRACTICES TO BRING INCLUSIVE BUSINESS TO SCALE



## Business Call to Action 2019

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Page 66: Essilor, Vision Ambassador in Kenya

Page 68: Sanofi

Page 70: East-West Seed Indonesia

Page 72: Jean de La Tour/L'Occitane Burkina Faso

Page 74: pxhere.com

Page 76: World Vision/Mastercard Mozambique

Page 78: Better Work Indonesia/ILO

Page 80: Supracafé

Page 82: Mahindra

Page 84: Omerler/Pinar

Page 86: Muji Kyrgyzstan training

Page 88: DBL

Page 90: Gap Inc. PACE Program

Page 92: Crepes & Waffles

Page 94: Grupo Éxito

Page 96: Partex Agro

Page 98: Medtronic

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# Contents

<b>About This Report</b>	2	<b>Overview and Methodology</b>	62
<b>Executive Summary</b>	5	<b>Annex: Case Studies</b>	65
<b>Part One: Barriers to Scale</b>	9	Essilor – Aligned Leadership and Accountability	66
Inclusive Business: Why It’s Good for Business as a Whole	9	Sanofi – Risk Management	68
Understanding Internal and External Barriers to Scale	10	East-West Seed – Risk Management	70
<b>Part Two: Approaches to Scale Inclusive Business</b>	15	L’OCCITANE – Stakeholder Engagement and Collaboration	72
Effective Inclusive Business Management Practices: BCtA Typology	16	CEMEX – Stakeholder Engagement and Collaboration	74
1 Governance and Management	17	Mastercard – Stakeholder Engagement and Collaboration	76
2 Performance	33	ACT – Corporate Advocacy	78
3 Talent Management	41	Supracafé – Corporate Advocacy	80
4 Operations Management	49	Mahindra Home Finance – Performance Management	82
<b>Part Three: Four Drivers of Change in Inclusive Business Management Practices</b>	57	Pinar – Target Setting	84
Trend 1: Transformative Technology, Communication and Connectivity	58	Muji – Target Setting	86
Trend 2: Increased Awareness around Women’s Empowerment	59	DBL Group – Talent Management	88
Trend 3: Incorporating ESG Risks and Adopting a Longer-term View	60	Gap Inc. – Talent Management	90
Trend 4: Demographic Shift and Automation	61	Crepes & Waffles – Employee Wellbeing	92
		Grupo Éxito – Research & Development	94
		Partex Agro – Adoption of Innovative Technology	96
		Medtronic – Adoption of Innovative Technology	98
		<b>Annex: Endnotes</b>	100
		<b>Acronyms table</b>	103
		<b>Acknowledgements</b>	104

# About This Report

Replication of inclusive business is not yet happening widely amongst multinational corporations (MNCs). Research into the reasons for this suggests that there are often constraints within MNCs that are preventing the uptake and internalisation of inclusive business models. This research focuses on the internal barriers to scale and the specific management practices that MNCs adopt or adapt for their inclusive business (IB) initiatives. This report presents what it means to adapt and adopt management practices to inclusive business, why it is important for the success of the IB and how companies can improve and become leaders.

This report has been prepared with the support of the UK Department for International Development through the Business Innovation Facility (BIF). Under the Inclusive Business Boost initiative, BIF is concerned with the processes and structure through which successful inclusive business models are replicated. It supports initiatives that identify, and help to address, the constraints that prevent MNCs from replicating.

This report fills the information gap for companies who are looking to engage in an IB activity, or scale an existing IB. It is accompanied by a Benchmarking Tool, which allows companies to understand where they are at in terms of their IB management practices compared to IB peers; select areas where they wish to improve; and develop an improvement plan. We invite our member companies and others to engage with us in learning from the findings of this report and using the accompanying tool to contribute to the growth and scale of IB and its contribution to the Sustainable Development Goals (SDGs).

This report was written by Business Call to Action's (BCtA) Paula Pelaez, Nazila Vali and Tanja Honkonen, with additional guidance and insights provided by BIF's Tom Harrison, as well as Sahba Sobhani, Maria Alejandra Blanco and Aimee Brown at BCtA, Luciana Aguiar at UNDP and Nina Schuler at DFID. Any errors that remain are those of the authors. Please direct comments or questions to [bcta@undp.org](mailto:bcta@undp.org).

Drawing on BCtA's 10 years of experience working with inclusive businesses and their stakeholders, from corporate headquarters to remote operations and sourcing locations, this report presents BCtA's view of how companies can grow and scale their inclusive business by adopting and adapting specific management practices across four dimensions. It builds on BCtA's experience engaging with companies implementing IB across sizes, sectors and regions; its State of IB Survey published in partnership with GlobeScan in December 2018; and in-depth interviews with executives from over 25 corporations across regions carried between June 2018 to February 2019 (full list of companies in the acknowledgment section). We have supplemented BCtA's insights with case study examples as well as references to relevant academic, development and business sources.

### **Disclaimer**

BCtA publishes occasional papers as a contribution to the understanding of the role of Inclusive business in realising the SDGs and the trends related to inclusive business and the Base of the Economic Pyramid (BoP). BCtA does not aim to act as a representative of its membership, nor does it endorse specific policies or standards. The views expressed in this publication are those of its authors and do not reflect those of BCtA member companies.

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## EXECUTIVE SUMMARY

# What difference can a multinational make?

With the right management practices in place, a lot. The potential for multinational companies to tackle global issues such as poverty, climate change and gender inequality is immense. With their reach, they have the ability to transform low income markets through innovative business approaches and help lift millions – even billions – out of poverty. Inclusive business is one such model, but numerous internal barriers are preventing multinationals from adopting or scaling this approach.

In this report, we examine how to overcome these organizational barriers, drawing from examples of successful companies who are already doing this, and offer steps that companies can take to adapt their management practices to become more inclusive business friendly.

This topic is a salient one for companies considering tapping into the business opportunities that exist at the Base of the Economic Pyramid (BoP) or looking to scale their existing inclusive business models.

Experts predict that top performing global companies of the future will be those who reach out to new markets while simultaneously addressing some of the world's biggest social and environmental challenges. Future trends such as demographic shifts and automation are already changing the landscape of the global workforce, providing new business opportunities and posing new kinds of risks. According to McKinsey, by 2025, half of the world's largest companies will be based in developing countries. Innovative corporates from the Global South will be the ones leading social change, creating jobs and servicing the yet-untapped markets at the BoP.<sup>1</sup>

## How is inclusive business different from conventional business models?

Inclusive business is an intentional approach that seeks to include and benefit people living in poverty through the provision of more resilient livelihood opportunities, skills development, access to goods and services, while also building markets, talent and robust supply chains for companies.

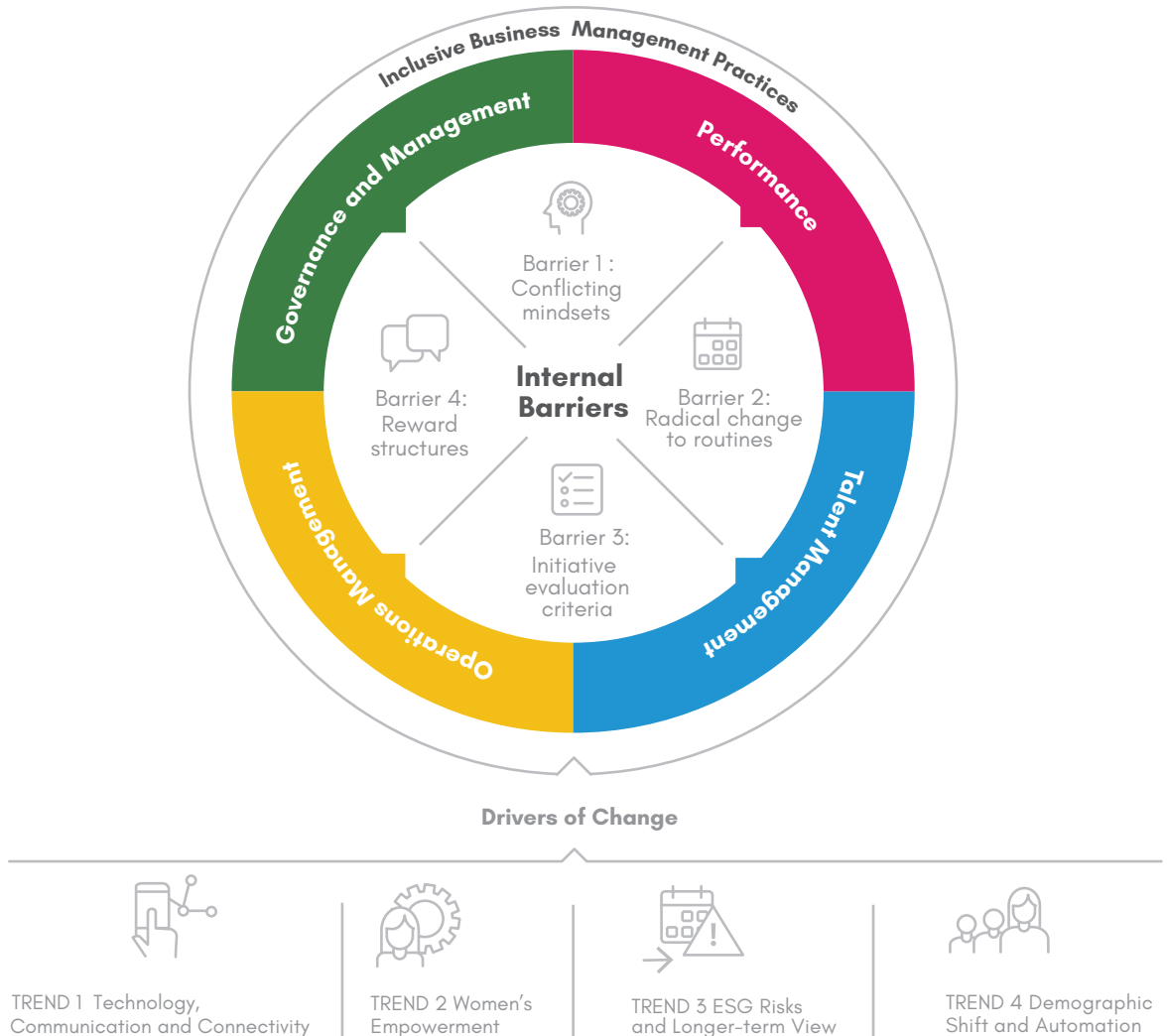
Inclusive business goes beyond having linkages with the poor and low-income populations, which often happens by default for companies operating in countries where most of the population is considered low-income. Rather, it actively seeks to engage those living at the Base of the Economic Pyramid across company supply chains as suppliers, producers, customers and more.

*Source: UNDP (2010)*

However, looking at the market today, replication of inclusive business (IB) is not yet happening widely amongst multinational corporations (MNCs). In addition to market-based challenges, there are often internal constraints that limit the uptake and growth of inclusive businesses. This research, conducted by Business Call to Action (BCtA), focuses on identifying cross-cutting IB management practices which allow companies to gain critical insights to improve their models and better communicate impact and business value, thus gaining greater internal support for the sustainability and replication of IB initiatives.

**There is a strong correlation between the adoption of specific inclusive business management practices and the continuity and growth of inclusive business initiatives.**

Our research shows that successful inclusive businesses apply principles that are quite different from business-as-usual. Management practices tailored to address the BoP market can constitute a valuable source of competitive advantage, ensure better understanding of and responsiveness to key stakeholders, increase IB impact and contribution to Sustainable Development Goals (SDGs), and balance short-term stability with long-term viability.





This report introduces a typology of management practices found by large corporations as critical to the growth and success of inclusive business. The typology builds on BCtA's decade of experience engaging with companies implementing IB across sizes, sectors and regions, BCtA's State of Inclusive Business Survey published in partnership with GlobeScan in December 2018 and interviews with executives from over 25 MNCs across regions.

### **So, what's in it for your company?**

Adopting inclusive business friendly management practices supports companies to achieve the following results:

#### **1) Overcome organizational barriers**

Initiatives are better integrated into overall business plans, and supported by the whole organization, from senior management to operational teams. Removing organizational barriers means they have a greater chance of succeeding when adopted or scaled.

#### **2) Increase impact**

Tailoring management practices to address the specificities of BoP markets ensures a better understanding of and responsiveness to key stakeholders, meaning IB impact and SDG contribution is increased. It also helps balance short-term stability with long-term viability.

#### **3) Gain competitive advantage**

This approach can help a company establish competitive advantage, as companies can better recognize and communicate the impact and business value of their IBs, particularly in relation to their social good, which they can articulate through their contribution to the SDGs.

#### **4) Maximize inclusive business value creation**

Companies that are implementing IB well apply principles that differ from business-as-usual, including in-depth stakeholder engagement, value-based talent management practices that build skilled loyal staff and focus on their wellbeing, coherent performance incentives for management tied to inclusive business success, target-setting consistent with long-term value creation objectives and a sharp understanding of ESG risks and opportunities within the inclusive business.

### **Want to see how your inclusive business is faring? Use our online Management Practices Benchmarking Tool**

Along with this report, we developed a simple **online tool** that can be used by companies to better understand how they can improve their own inclusive business Management Practices, compare themselves to peers, and develop a concrete and practical improvement plan to strengthen areas of weakness.

**Find out more at [www.businesscalltoaction.org](http://www.businesscalltoaction.org)**



## PART ONE

# Barriers to Scale

Inclusive businesses have the potential to make a significant contribution to the SDGs while making long-term and scalable improvements to the lives of people living at the BoP. While the past 10 years have shown that doing business and performing well financially can go hand in hand with lifting people out of poverty, many promising IB ideas did not survive, or have stayed small. Here, we examine the numerous external and internal barriers faced by companies that prevent their IB ideas from succeeding, and suggest ways to overcome them.

## **Inclusive Business:**

### **Why it's good for business as a whole**

The SDGs provide a common framework for all stakeholders to help us tackle the most complex and pressing challenges of our time. For businesses specifically, they offer a comprehensive perspective on risks and opportunities for their businesses both today and the near future. It is precisely this intersection of risk and possibility that presents business with the imperative and opportunity to act – to build an inclusive and sustainable economy that creates a prosperous society where business can thrive.

Today, a more robust body of evidence exists around how societal value and business value are compatible – and in fact better together. BCtA's companies are testament to this – particularly those that have recommitted over the years, who are now scaling their inclusive businesses after achieving their original commitments. Additionally, the rapid march of technology means that many countries and regions that were lagging behind have a real opportunity to

more rapidly address development challenges than ever before through the integration of inclusive business models and digitalisation.

### **Why multinationals specifically?**

Multinational corporations, given their global reach and scale, can hugely benefit from developing inclusive business and playing a key role in realising the SDGs. Leading companies understand the value of contributing to viable and prosperous societies, in which they can grow in the long-term, by integrating an inclusive business approach into their strategies, operations, products and services.

*Societal value and business value are compatible – and in fact better together.*

However, engaging BoP markets can require radical changes to a company's core business model: companies may need to conjure up new products, services or venture into different market segments and ensure a concrete sustainable development strategy is in place. This implies crafting new business solutions related to buying, manufacturing, packaging, marketing, distributing, and advertising products or services. Accordingly, IB efforts cannot be executed by just a few people within a company; they must be integrated into key areas in operations where decisions on new products, services and markets are made and executed. For many companies, IB initiatives therefore can require comprehensive organizational change.



### What are the Sustainable Development Goals?

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.

At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Inclusive business has the potential to be a driving force for inclusion and sustainability and to contribute to the effective implementation and impact of the SDGs.

### Understanding internal and external barriers to scale

While most current debates around inclusive business either outline the business case for it or challenge its features, there have also been some attempts to identify barriers to scale.<sup>2</sup> However, most attention has been focused on the external barriers that prevent both a more wide-spread adoption of such ideas and the scale up of existing models.<sup>3</sup> External barriers include factors such as uncertainty about international and national legislation, the technical complexity of BoP markets and operational complexity such as infrastructure gaps.

In addition, multinational companies engaging in the BoP market are often faced with unfamiliar contexts and new kinds of customers and suppliers; thin and volatile operating margins; and long timeframes to scale and produce financial returns. Up-front expenditure is often needed to stimulate demand for new push product categories, or to improve supplier capabilities.

Until now, little attention has been paid to the internal organizational barriers that, all else being equal, can pose significant challenges to bringing an inclusive business idea to action and to scale, even within the most proficient and forward-thinking MNCs. Internal barriers may include a lack of capital, an aversion to risks, a lack of IB awareness among organization members, weak buy-in, inadequate top management leadership and unfavourable attitudes among workers and directors with respect to changes in working habits.<sup>4</sup>

While some internal barriers are sector-specific, many are transversal and can be collectively analysed. Solutions to common issues can be replicated across sectors to achieve greater IB impact and growth. Such barriers are usually operational and organizational, rather than technical. Understanding where those barriers lie and how to overcome them is key to ensuring the long-term success of inclusive business models.

## Four Key Organizational Barriers

### How are internal barriers defined?

This report identifies four key barriers:



**Barrier 1:**  
Conflicting mindsets, which is a cognitive barrier



**Barrier 2:**  
Radical change to routines, a process-related barrier



**Barrier 3:**  
Initiative evaluation criteria, a structural barrier



**Barrier 4:**  
Reward structures, a structural barrier

These are adopted from Bottom-of-the-Pyramid: Organizational Barriers to Implementation, a paper by Mette Olsen and Eva Boxenbaum in the California Management Review.<sup>5</sup>

Other reviewed literature provides different categorisations for internal barriers. For instance, Professor Bhaskar Chakravorti, from Tufts University, identifies four key barriers to sustainable and inclusive business activities: the absence of common strategic motivation and vocabulary, the absence of organizational home (i.e.: how to incorporate the IB into the organizational architecture), local constraints and difficulties in measuring impact.<sup>6</sup> The World Business Council on Sustainable Development, on the other hand, classifies internal barriers into three categories: opportunity cost of investment, strategic and operational misalignment, and capability gaps.<sup>7</sup>

### Barrier 1: Conflicting Mindsets

The first and perhaps most fundamental barrier to implementation usually relates to the dominant mindsets of key actors in operations, as they have significant influence over whether an idea can and will be executed by a company. Operations staff are generally responsible

for budgets, planning and logistics, all of which are crucial for transforming a business idea into action.

### Trade-off or win-win?

Two fundamentally different mindsets can usually be distinguished: a trade-off mindset and a win-win mindset. These two mindsets, which often operate simultaneously, can make contradictory claims about the relationship between a company's financial performance and its commitment to the SDGs. The trade-off mindset reflects the emphasis on shareholder value as the primary (and only) purpose of any business, and any contribution to sustainability is seen as a cost to the company and not as a potential revenue driver.

At the opposite end of the spectrum, the win-win mindset resembles a far more convergent understanding of the relationship between financial performance and the SDGs. This mindset aligns with the more instrumental sustainability discourses that have emerged in recent years and subscribes to the fundamental belief that sustainability and financial performance can not only coexist peacefully but also mutually reinforce each other.

The challenge arises when conflicting mindsets exist

within a company: the company CEO may be a supporter of inclusive business, while operations management have a trade-off mindset (or vice versa). Alternatively, a company may have a very engaged sustainability department, but the procurement department does not see the value in such an approach. Whenever one group see opportunities other will see risks. In order to resolve this conflict, it is essential to gain the buy-in of those who have a trade-off mindset to ensure all of the core teams are not only on board but understand and recognize the benefits that inclusive business models can bring to a company. If well managed, the combination of both perspectives can be positive to design an effective strategy for navigating in low-income markets.

While this issue of conflicting mindsets may be the most fundamental obstacle for IB experts, it does not operate in isolation.

### Barrier 2: Radical Change to Routines

It can often be difficult to ensure continuity between a new sustainability-focused practice and existing work procedures, which presents the second, process-based, barrier. This may be due to a difference in operational models, but it may also be attributable to staff not having the necessary experience to adapt existing models to incorporate new inclusive business-friendly approaches. One of the major reasons for the failed implementation or the lack of scale of IBs that emerged during research is that staff did not know how to approach an initiative of this sort. Not only do some employees and management find it difficult to adapt and apply the company's business model to BoP

*Not only do some employees and management find it difficult to adapt and apply the company's business model to BoP markets, they also struggle with the very notion of having to combine business and inclusivity in one and the same market development strategy.*

markets, they also struggle with the very notion of having to combine business and inclusivity in one and the same market development strategy.

This barrier has a tendency to reinforce conflicting mindsets, which is a significant obstacle to the implementation of IB. In principle though, obstacles of this kind could be overcome by organizational learning and training programmes that increase awareness and understanding about the value of inclusive business, and how to integrate such approaches into existing business models. Operational systems must be adapted to IB models and shaped for the BoP markets.

### Barrier 3: Initiative Evaluation Criteria

The third structural barrier relates to the initiative evaluation criteria that strategy groups in operations typically employ to assess new market opportunities. IB initiatives usually conflict with specific short-term evaluation criteria such as the Net Present Value (NPV) and business risk evaluation, as they are long term in nature. The NPV criterion is a common financial metric used by most companies when evaluating the value of new market opportunities and is short term in nature – usually looking at a time span of five years. Business risk evaluation is similarly used to assess whether the risks associated with new projects might outweigh the opportunities of carrying them out.

#### **Balancing long term goals with the need for short term results**

Inclusive business initiatives usually demonstrate promising economic potential for large multinationals if assessed using long-term criteria. When applying NPV financial metrics to IB, key decision makers in operations are sometimes not able to identify business opportunities significant enough for them to incorporate IB into their existing product portfolios. As a result, IB can be perceived to be a complex, resource-intensive, and time-consuming affair that does not yield tangible results.

This structural barrier sometimes has the effect of reinforcing the trade-off mindset and of preventing learning that could have helped. This is compounded by the fact that both the lack of buying power

and the high initial investment/amount of financial resources required to operate in low income markets are perceived as major obstacles.

#### Barrier 4: Incentive Structure and Discrepant Mandates

The fourth and final organizational barrier gives us further insight into how structural barriers might prevent actors in operations from shifting mindsets and learning new practices that would enable them to scale an IB initiative. This barrier pertains to the presence of the discrepant organizational mandates of various actors involved in IB and to the incentive structures that reinforce certain behaviours in operations.

Part of the resistance to IB at the operational level appeared to be rooted in different mandates assigned to two segments of the organization: the core decision makers in operations and the IB function. The objectives of these two segments are distinctly different and may at times come into opposition with one another.

##### **How incentives can help align mandates**

One way to reinforce these mandates is through the company's incentive structures. Employees do not necessarily adopt new practices because they reflect their dominant mindsets; they may sometimes do so simply because they are rewarded for it. Rewards for the strategy groups and affiliated actors in operations are sometimes allocated as a function of key performance indicators (KPIs), which are often highly tangible financial performance targets related to company's performance within a given industry.

In summary, although a win-win mindset can grow and be adopted by different actors in operations, for some, it requires a radical change to routines, short-term evaluation criteria and a company's existing incentive structures.

##### **Overcoming internal barriers**

To achieve IB growth and scale, companies not only need to have the right products, services and business model, but also the appropriate

management practices. It is widely acknowledged that management practices are linked to business productivity and performance. Studies that investigated the link between management practices and productivity have evaluated the impact of a specific practice, of joint adoption of practices and of groups of complementary practices.

Although the success of some management practices might be firm-specific,<sup>8</sup> there is also strong evidence demonstrating the relationships between a wide variety of management practices and organizational outcomes, irrespective of the sector and firms' size.<sup>9</sup> If an organization is able to overcome its internal barriers, it is more likely to be able to overcome the external barriers.<sup>10</sup>

*Although a win-win mindset can grow and be adopted by different actors in operations, for some, it requires a radical change to routines, short-term evaluation criteria and a company's existing incentive structures.*

##### **Good management practices hold the key**

Acknowledging that inclusive businesses operate in environments with vulnerable populations, we believe that identifying and analysing the good management practices that make them successful is critical to accelerating the replication of these business models. In the second part of this report, we present the findings of our research and a typology of effective inclusive business management practices to overcome these internal barriers.





PART TWO

# Approaches to Scale Inclusive Business

We spoke with 25 BCtA members who were either MNCs or large national companies, and they affirmed that successful inclusive businesses apply principles that differ from traditional business approaches. These include: in-depth stakeholder engagement, including with the BoP and often local governments; talent recruitment and retention practices that build skilled loyal staff, and relevant performance incentives for management tied to IB success; a focus on long-term value creation; more acute understanding and management of environmental, social, and governance (ESG) risks relevant to the model; and planning and management of their development impact.

These practices allow companies to gain critical insights to improve their models and communicate their impact and business value better, thus gaining greater internal support for the sustainability and replication of IB initiatives.

**With those benefits, why don't more multinationals have successful inclusive businesses?**

Even within generally well-resourced MNCs with solid systems and operational procedures in place, teams working on IB models often face numerous constraints, including limited resources, market knowledge and networks. Creating an inclusive business culture within the organization is one of the biggest challenges.

This research identified specific cross-cutting IB management practices that help IB champions within MNCs to overcome shared challenges, build a stronger business case that can yield further support, increase leadership buy-in tied to long-term thinking and patient resources. This report draws on the range of management practices applied among BCtA's extensive and diverse membership to produce a typology of the most relevant IB practices that drive value, impact and sustainability of IBs.

**Principles for successful inclusive businesses:**



In-depth stakeholder engagement, including with the BoP and local governments.



Robust talent recruitment and retention practices that build skilled loyal workforce



Strategic framework focusing on long-term value creation



Acute understanding and management of environmental, social, and governance (ESG) risks



Strong planning and management of development impact

## Effective Inclusive Business Management Practices: BCtA Typology

Categories	IB Management Practices	
<b>Governance and Management</b>	Aligned Leadership and Accountability	Defining and formalizing accountability and oversight from company leadership to deliver IB targets and objectives. Aligning executive staff compensation to targeted IB results (financial/commercial and social/environmental impact).
	Risk And Opportunities Management	Regularly identifying, assessing and monitoring risks with relevant tools. Setting comprehensive risk mitigation strategies and creating an action plan. Establishing a broader understanding of IB opportunities and challenges and the right mindset to address them.
	Stakeholder Engagement and Collaboration	Identifying key internal and external IB stakeholders, including the BoP and local authorities, engaging closely with them in order to understand and respond to their needs.
	Corporate Advocacy	Identifying material issues to the IB on which the company is willing to speak out, engage and influence others - including peers, policymakers, consumers, suppliers, employees - to help foster a better IB ecosystem, as well as faster or deeper change.
<b>Performance</b>	Performance Management	Regularly track, review and act on the performance of the inclusive business (financial/commercial and social/environmental), including establishing performance processes that ensure continuous improvements and integration of learnings.
	Target Setting	Set a balance of financial/commercial and social/environmental impact targets for the inclusive business. Set inclusive business targets within short- and long-term timeframes and link them to the vision and objectives of the company.
<b>Talent Management</b>	Talent Recruitment and Management	Source, attract and select talent for the inclusive business. Develop, promote and retain high-potential employees.
	Employee Well-Being	Promote a state of contentment which allows employees to flourish and achieve their full potential for the benefit of themselves, the organization and the IB.
<b>Operations Management</b>	R&D Practices	Invest in and apply research and development practices to the IB operations to generate innovative and inclusive products and services.
	Adoption of Innovative Technology	Identify and integrate innovative technologies and management techniques into IB processes.



# 1 Governance and Management

*“The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies.”*

**Angel Gurría**, *General Secretary of the Organization for Economic Co-operation and Development (OECD)*

According to the G20/OECD Principles of Corporate Governance, corporate governance involves “a set of relationships between a company’s management, its board, and shareholders”.<sup>11</sup> It also provides “the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance”.<sup>12</sup> Management, on the other hand, is focused on the day-to-day operations and delivery of strategy in compliance with established policies and procedures defined by governing bodies.

As companies strive to grow and innovate their inclusive business models, our research has identified four practices that offer support in the structure and management of their IB operations to achieve those goals: **Aligned Leadership and Accountability, Risk Management, Stakeholder Engagement and Collaboration, and Corporate Advocacy.**

# 1.1 Aligned Leadership and Accountability

*“We call for the reshaping of business incentive structures and for supplementary indicators of progress towards well-being, environmental sustainability and equality.”*

**Global Commission on the Future of Work, ILO.<sup>13</sup>**

<b>IB Management Practice</b>	<b>Novice</b>	<b>Practitioner</b>	<b>Expert</b>
<p><b>Aligned Leadership and Accountability</b> Defining and formalising accountability and oversight from company leadership to deliver IB targets and objectives. Aligning executive staff compensation to targeted IB results (financial/ commercial and social/ environmental impact).</p>	Lack of senior management buy-in. No alignment of incentives conducive to the design, implementation or scale up of IB.	There is an alignment of incentives for staff directly involved in the implementation of the IB only, but not on others providing support or oversight.	There is a fully-integrated set of incentives vertically and horizontally that foster accountability and performance both commercially/financially as well as on the social value created by the IB/ firm.
<b>Related IB Barrier</b>	Initiative Evaluation Criteria		

Aligning vision, company values, strategy, goals and purpose are key drivers of long-term performance. More than 90 percent of CEOs state that “sustainability is important to their company’s profits and success”.<sup>14</sup> However, even leading companies trying to support a company’s long-term and social value agenda struggle to overcome ill-designed performance incentives that over-emphasize financial metrics.<sup>15</sup>

## **Integrating incentives vertically and horizontally to foster accountability and performance**

Companies who embed sustainability performance in their corporate reporting, focusing on the firm’s ability to be sustainable and create value in the short, medium, and long term by means of its capital (financial, human, intellectual, social, manufactured, and natural), are more able to align

their integrated thinking and long-term financial and non-financial performance.<sup>16</sup> Challenges in scaling and mainstreaming IB often stem from a lack of coherence between impact goals, and the incentives in place to ensure these are properly tracked, measured, and rewarded. Setting clear and balanced IB goals – mixing impact and commercial targets – is critical, and this is fully elaborated below in the Performance Practices category. In addition, interviewees highlighted the importance of senior management clearly articulating company values and ensuring that staff incentives sustain behaviours and an organizational culture that is aligned with those values. Interestingly, in some cases we found that many of these incentives are better articulated and enforced in sustainable sourcing efforts than within internal units of a firm.

### **Which companies are leading the way?**

The incentive-driven accountability in the IB component of Essilor, the world leader in corrective lenses, goes beyond traditional financial performance. While financial performance is important for the sustainability and expansion of IB programmes, the focus on societal benefit is equally important. This is visible in Essilor's incentive schemes. Essilor has a matrix of success, in which the key performance indicator (KPI) is based on the number of people wearing their spectacles. The indicator is followed yearly. **Read Essilor's case study to find out more.**

CEMEX, a Mexican multinational building material company, provides another interesting example of incentive-driven accountability. Alongside revenue, growth and profitability, the company has established engagement as a KPI, which makes visible that the company values stakeholder engagement and sees it as a crucial factor for the success of its inclusive business.

A compensation policy is one of the most important factors in an organization's success – especially its IB. Not only does it shape how top executives behave but it also helps determine what kinds of executives an organization attracts. A leading group of companies has already integrated sustainability metrics into executive pay incentive plans, including Unilever, Walmart, and Mead Johnson. Guidance issued by the [UN Principles for Responsible Investment](#) (2012) states that including ESG factors in executive incentive schemes can help protect long-term shareholder value.

Even post-financial crisis, high levels of executive pay, regardless of performance, continue to be the norm at many organizations, and are regularly reported in the media. Executive pay should be aligned with performance and long-term strategy in order to protect and create value, which is in the interest of both companies and their investors.

## How to improve accountability and align incentives

<p><b>Tactics</b></p>	<p><b>1. Bring IB to the Board Room</b>          Articulate IB goals and results strategically in relevant board discussions in order to promote accountability, innovation, and relevant decision making to improve delivery of outcomes.</p> <p>Increase board and senior management expertise and understanding of IB through training and/or new recruitments and board appointments in order to take greater advantage of opportunities.</p> <p><b>2. Align incentives with IB success</b>          Tie executive compensation to medium- and long-term measures of IB performance (both financial and non-financial).</p> <p>Ask the Board Compensation Committee to integrate sustainability and inclusion metrics into the performance measures.</p> <p><b>3. Strengthen internal communication</b>          Build a culture of transparency between management and employees</p>
<p><b>Considerations</b></p>	<p>While pay for performance has been fairly well implemented at the executive level, there is often not a connection between what is done at the executive level and the broader employee population. This becomes a source of frustration for employees and managers.</p> <p>Accountability and alignment of incentives is a governance issue. Boards need to be proactive in understanding what IB initiatives are out there, the principles behind them, as well as the investment, risk and overall impact.</p> <p>Integrated incentive schemes that foster performance both commercially/financially as well as on the social value created by the IB/ firm is most effective when no longer perceived as a programme owned by HR, but rather as a part of an organization's culture and how it does business.</p>
<p><b>Case Studies</b></p>	<p><b>Essilor</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">Work for a Brighter Future</a> by the Global Commission on the Future of Work, ILO - Report presenting ideas on how to manage and leverage transformations in working life.</p> <p>Hoffman, A. (2018) <a href="#">"The next phase of business sustainability,"</a> Stanford Social Innovation Review, 16(2): 34-39 - An article about business sustainability as market transformation.</p> <p><a href="#">Aligning CEO Incentives with a Company's Long-Term Agenda</a> by Simon C.Y. Wong in Harvard Business Review - An insightful blog post published as part of the HBR Online Forum called The CEO's Role in Fixing the System (2011).</p> <p><a href="#">Principles for Responsible Investment</a> - Voluntary and aspirational set of investment principles to guide companies in incorporating ESG issues into their investment practices.</p> <p><a href="#">Value creation, CEO incentives and remuneration: Evidence from integrated reporting adopters</a> by CIMA Global Academic Research Programme - A study showing how implementation of integrated reporting can contribute to long term organizational success (2018).</p> <p><a href="#">The Dangers of Purpose-Driven Business</a> by Lydia Hascott from Finance Matters - Blog making the case for why we need to think more carefully about purpose-driven business plus the opportunity for intrapreneurs (2019).</p>

# 1.2 Inclusive Business Risk and Opportunity Management

*“Enterprise Risk Management (ERM) is a structured and disciplined approach [that] aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces as it creates value. It is a truly holistic, integrated, forward-looking and process-oriented approach to managing all key business risks and opportunities – and not just financial ones – with the intent of maximizing shareholder value for the enterprise.”*

**Arthur Andersen** - Described in *Deloach and Temple*

IB Management Practice	Novice	Practitioner	Expert
<b>IB Risk Management</b> Regularly identifying, assessing and monitoring risks to the IB with relevant tools. Setting comprehensive risk mitigation strategies and action plan. Establishing a broader understanding of IB opportunities and challenges, and the right mindset to address them.	Relies on corporate risk management without rigorously looking at specific risks in low-income markets. This often results in an underestimation or an overestimation of the risks and opportunities at the BoP.	Understands the specific risks and opportunities at the IB level but does not always follow systemic approach to address them.	Follows a systemic approach to regularly scan and manage risks and opportunities at the IB level, ensuring alignment with business value and societal value.
<b>Related Barrier</b>	Initiative Evaluation Criteria		

Today’s market demands, the rapid march of technology, and the urgent and complex challenges faced by our societies and planet – well embodied in the SDGs – demand that corporate boards and management step up their game with an intense focus on risk and opportunity management.

### Taking a new tack to tackle risk

To reduce or remove IB risk, new approaches are required to build in resilience. Current and potential risks need to be identified and managed in order to anticipate how scarcity will impact IBs both now and in the future. For commercial reasons, it is important that a company has a deep understanding of the context in which they operate. Taking a focused approach to risk management should

be more than a compliance mechanism; an ambitious opportunity lens will go beyond short-term gains to enhance stakeholder value over time.

### Which companies are leading the way?

For L’OCCITANE, understanding risks and developing strategies to mitigate them is central to its inclusive business, which focuses on supporting sustainable production of shea butter. The company conducted a study which identified key threats to the sustainability of the sector: environmental degradation, weak cooperative governance, and strong dependence on shea butter and L’OCCITANE contracts as a single source of income for its producers. L’OCCITANE’s RESIST Program was designed to address these risks.

Risk reviews in the supply chain assess suppliers' resilience to shocks. Supply chains are only as strong as their weakest link and companies are expected to adopt a predictive approach to risk across their supply chain. Legal requirements and stakeholder expectations for risk screening and due diligence are increasing, and business leaders will need to leverage more sophisticated tools, triangulate information and data from more sources, and scan for risks in deeper parts of the supply chain than ever before. In the past few years, there has been tremendous growth in the number of tools and technologies available to support supply chain risk prediction, and many of these include sustainability dimensions, such as environmental, ethical, and human rights risk monitoring.

Initiatives such as the Better Cotton Initiative acknowledge risks arising from a lack of sustainable practices along the supply chain. Being one of the world's major cotton buyers, IKEA has recognized the harmful effects of cotton production for the environment and people involved. Promoting sustainable cotton production has significant had benefits for IKEA's business: committing to sustainable sourcing makes the company more aware of their supply chain and the related risks, which in turn helps them manage them proactively. More effective crop management techniques lead to more secured profits, encouraging farmers commit to cultivating cotton sustainably, which in turn keeps the supply stable and reduces the risk of market volatility.

Risk and opportunity management needs to be an integral part of the organization's culture, strategy, and day-to-day business operations. Holistic risk reviews are required so that solutions have the best chance to reveal the implications for all stakeholders. Collaboration, both cross-industry and amongst suppliers, is equally central. Stronger relationships need to emerge across industries in order to invest in new solutions so all benefit from economies of scale and a joined-up approach. Suppliers, working more closely together and with the IB, can build more integrity into the supply chain.

Seed supplier East West Seed Indonesia (EWINDO) exemplifies best the adoption of a comprehensive IB risk management approach that reviews risks in a holistic manner. EWINDO works with smallholder farmers across Indonesia facing multiple risks, such as natural disasters

or a lack of access to technology and information. The company has established proactive, robust risk management practices that help to mitigate the risk of decreased productivity and lost profits for the company, lost income for the farmers and decreased supply of vegetables in the community. EWINDO's integrated risk management approach includes preventive, reactive and curative actions. It spreads across different layers of the organization, from the strategic level to implementation in the field. **Read EWINDO's case study to find out more.**

*"It takes a proactive rather than reactive approach in preventing or reducing undesired effects through early identification and action. We assess the risks in each business process – identified from around 30 departments within the company – that could affect the company's goal to produce high quality seeds. We have identified over 100 risks based both on experience and future predictions."*

**Firmansyah Sachroni and Kania Lasarati Hartoyo,**  
EWINDO corporate secretary officers

Through its inclusive business initiative, Sanofi provides diabetes care for underserved populations. It delivers services and products through third parties, creating a possibility for misuse or unethical use of brand and/or medications provided. As an IB risk management practice, Sanofi has established a clear traceability process both internally and externally that helps the company identify, assess and monitor risks associated with outsourcing medication and other diabetes-related treatments in a timely manner. This is done through technological and methodological support to its partners to convert data into actionable information. **Read Sanofi's case study to find out more.**

### **Assessing and treating social and environmental risks**

The growing focus on ESG issues among investors, technological advances reshuffling business models across industries, and rising expectations from



## Risk Management Culture

Mindsets and behaviors of individuals and groups inside the business play a crucial role in the effective execution of ERM. A mature risk management culture is characterized by the following:

- Risk-informed decision making at all levels, including flexibility for adaptive management and course correction.
- Responsible risk-taking and innovation is rewarded.
- ‘Failures’ are acknowledged and recognized as part of the learning curve.
- Continuous learning for strengthened risk management capacities.
- Key stakeholders are involved in all stages of the risk management process.
- Absence of approaching risk management purely as a compliance issue.
- Open communication on all risk management issues and lessons learned and a culture of “working out loud.”
- Effective risk escalation when needed.
- Adequate budget allocations for risk management at all levels.

stakeholders on companies’ conduct and responsibility are leading to an increase in oversight at board and C-suite levels in terms of social value creation priorities. Increased compliance regulations and stakeholder pressures are also motivating closer work between boards, management and risk management teams as companies explore new opportunities to expand their market share, and new risks emerge.<sup>17</sup>

The fact that corporations engaged in our research have embarked on IB is a demonstration of a focused approach to the risks and opportunity management in BoP markets. However, the extent to which ESG risks and opportunities are systematically managed at the IB level is less clear, as shown in our latest [State of Inclusive Business Survey](#).<sup>18</sup> According to our survey, there seems to be a misalignment between the perceived significance of risks to inclusive business initiatives and organizational management of these risks. Risks that are perceived to be most substantial are managed as relatively low priorities, while those that are considered relatively less important are treated as high priorities. For instance, although unfavourable government regulations and the impact of climate change on low-income communities are perceived to be among the most significant risks to IB initiatives, these are treated as relatively low priority when compared to other, less significant risks. This misalignment could be attributed to the magnitude of challenge they represent.

While several interviewees agreed that IBs tend to have specificities that would merit focused attention on risk and opportunity management at the IB level, this often not the case. The nature of IB involves clear opportunities at the BoP – who are often paying more for less and earning less for more – as well as operations in markets that are perceived as riskier. By developing a better understanding of and proactively addressing ESG issues at the IB level, companies will be better equipped to manage risks and opportunities, drive business value and positive impact, and enhance their capacity to operate, innovate and grow.<sup>19</sup>

### Perceiving, prospecting and probing: the importance of thinking ahead

Scenario planning and other foresight tools have become useful for companies to think strategically about the future, identify courses of action and foresee consequences, and thus better address the risks and opportunities that lay ahead in tune with the fast-evolving context we live in. More importantly it helps them align business value with added value to society. [A recent study by Højland & Rohrbeck](#)<sup>20</sup> on corporate foresight used in three IB cases operating in new and uncertain BoP markets shows that multiple iterations of perceiving (reducing blind spots), prospecting (turning signals into insights) and probing (triggering firm’s response, e.g. prototyping, partnering and venturing) successfully profit from powerful learning loops when developing BoP business opportunities.

## How to improve risk and opportunities management

<p><b>Tactics</b></p>	<p><b>1. Identify, prioritise and manage risks systematically across the inclusive business value chain:</b> Identify the full range of your IB risks, including ESG risks, and consistently understand them across the IB. Align on priority ESG issues for inclusion in IB risks management and regularly revise your inventory accordingly. Conduct a gap assessment of your existing risk inventory, translate specific emerging and existing material issues across priority ESG issues and existing IB risk management issues, and make necessary adjustments.</p> <p><b>2. Read the signals and link with the SDGs as a compass:</b> Leverage forecasting and futures scenario analysis to assess the unique characteristics of longer-term and rapidly emerging IB risks. Centralise risk management into one platform and transform intangible risks into quantifiable measurable risk intelligence. Leverage media monitoring tools like Polecat, Sysomos, Rep-tracker or Simply Measured.</p> <p><b>3. Consider less conventional criteria to measure your inclusive business risks:</b> Use high-level risk assessments that consider less conventional criteria – like impact to reputation, speed of onset, persistence, and ability to mitigate – to help enhance understanding of difficult-to-measure IB risks. Account for social and environmental externalities.</p> <p><b>4. Establish effective governance and management structures</b> Ensure that emerging and evolving issues are captured, and solutions designed. Use ESG risk identification methods, megatrend analysis, and media monitoring to anticipate risks, monitor trends, and identify emerging issues.</p>
<p><b>Considerations</b></p>	<p>Understanding local markets and customers requires an investment of time and resources on the ground.</p> <p>By establishing risk management solutions, you can get a view of the real-time exposure of your whole value chain and the companies in your network as well as within your own organization.</p> <p>Traditionally, IBs within MNCs have not properly managed the diffusion of risk culture across the organization. Changing a culture is a large-scale undertaking, and eventually all of the organizational tools for changing minds will need to be put in play.</p>
<p><b>Case Studies</b></p>	<p><b>East West Seed</b> and <b>Sanofi</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">CSR Risk Check</a> by MVO Nederland – A short, practical test to understand better the CSR risks trade activities can carry and what to do to mitigate them.</p> <p><a href="#">OECD Guidelines for Multinational Enterprise</a> – A set of non-binding principles and standards for conducting responsible business in a global context in a way that is consistent with applicable laws and internationally recognised standards (2011).</p> <p><a href="#">OECD Due Diligence Guidance for Responsible Business Conduct</a> – A guide providing practical support on the implementation of the OECD Guidelines for Multinational Enterprises (2018).</p> <p><a href="#">Supply Chain Sustainability: A Practical Guide for Continuous Improvement</a> by BSR and UNGC – A guide illustrating how companies can implement the Global Compact principles throughout their supply chains and integrate sustainability into their procurement strategies (2015, Second Edition).</p> <p><a href="#">Enterprise Risk Management</a> by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the World Business Council for Sustainable Development (WBCSD) – A guide for integrating ESG risks into risk management practices (2018).</p>

# 1.3 Stakeholder Engagement and Collaboration

*“(Companies) might have a value chain that is problematic and engaging in things like share buybacks, but then put money in some sort of charitable giving pot. That’s not a good way to get companies to do good. I think it’s much more powerful if it’s done through the value chain, and attention is given to how they distribute that value amongst those that actually created it collectively. That requires a much more stakeholder-focused governance model rather than one that maximizes shareholder value.”*

**Mariana Mazzucato**, Professor in the Economics of Innovation and Public Value at University College London (UCL), and Founder/Director of UCL’s Institute for Innovation and Public Purpose.

IB Management Practice	Novice	Practitioner	Expert
<p><b>Stakeholder Engagement, Collaboration</b> Identifying key internal and external IB stakeholders and engaging and collaborating closely with them by understanding and responding to their needs regularly. Building partnerships that strengthen the business’ capacity for long-term collaboration.</p>	Ranging from the absence of a structured stakeholder engagement to a reactive, one-way, risk mitigation lens.	Proactive engagement at certain stages of the IB design or implementation. Focused on earning buy-in and validation, rather than new solutions.	Engagement integrated across the IB cycle; focused on co-creation and mutual accountability. Engagement leads to the creation of partnerships strengthening the business’ capacity for long-term collaboration.
<b>Related Barrier</b>	Radical Change to Routines		

### The Collaboration Imperative

Several business leaders and investors, such as BlackRock chairman and CEO Larry Fink, have made calls for companies to focus on a broader group of stakeholders. Fink claimed that companies should instead focus on “shareholders, employees, customers, and the communities in which they operate”.<sup>21</sup> This shift

requires corporate governance structures that maximize stakeholder value, and not only shareholder value.

While stakeholder engagement represents the process by which a company can learn from and respond to its network to assess its value and make informed strategic decisions, partnerships represent an outcome of such engagement and practice.

*“Leaders who establish ties with the broader community of stakeholders are well-positioned to help their organizations thrive in the face of that hardship”.*

**MIT Sloan School of Management study,**  
*A Shared Passion for Place Can Make a Business More Resilient*<sup>22</sup>

The MIT study found that managers can more effectively respond to hardship when they activate a shared emotional connection – what we term “a shared passion for place” – with organizational stakeholders. Conversely, this dynamic implies that leaders who lack a clear sense of place and have not established those connections might be putting their companies at a disadvantage in rebounding from times of struggle.

Inclusive businesses that consider broader interests and perspectives are better positioned to innovate, drive sustainable behaviour in harmony with stakeholders’ well-being and compete in the long-run. This requires the engagement of stakeholders, including engaged BoP individuals, local communities, local governments, employees across relevant units, suppliers and potential partners where the IB operates. There are numerous frameworks outlining the levels of stakeholder engagement – some of these are provided in the additional resources box below. Generally, frameworks include different levels of goals (from monitoring or informing all the way to collaboration) and related processes (ranging from consultations all the way to partnerships and co-creation).

### **Which companies are leading the way?**

L’OCCITANE seeks to actively engage its stakeholders along its entire value chain to encourage them to commit to the principles of the company, which represents an approach specific to inclusive business. At the core of the company’s business model is valuing the communities where it sources its shea butter.

Producers are included in key decision making around issues that affect them, and thus have helped define and refine L’OCCITANE’s engagement with them. To complement this, the company also organizes trainings to build the skills of its producers. For its internal stakeholders, L’OCCITANE invests in creating a business culture that supports inclusive business. **Read L’OCCITANE’s case study to find out more.**

Retailer H&M Group also develops its purchasing practices in collaboration with suppliers, considering their impact on stakeholders. H&M Group engages in dialogue with its key suppliers to better understand how its purchasing practices affect a supplier’s ability to invest in wage and productivity improvements. After conducting surveys to get feedback, it decided to base its purchasing policy on longer-term commitments, better planning and forecasting. Labour costs are ring-fenced from price negotiations in order for H&M’s suppliers to be able to pay fair living wages to their workers.

*“Forecasting is an area that we are constantly working to improve internally as accurate planning benefits both us and our suppliers. It’s important to us to have as high accuracy as possible when we plan, both long and short term, in order to secure capacity with our suppliers. We follow up on this with our teams internally where we have KPIs set on the deviation between plan versus placed”*

**Jenny Fagerlin,** *Global Sustainability Manager for production office of H&M Group.*

### **Adopting a people-centred approach to problem-solving**

While stakeholder engagement has existed for a long time (not only for IB), the uptake of approaches such as human-centred design (HCD), which places

stakeholders at the centre of the design, innovation and implementation process – as well as revamped attention to behavioural economics, which helps understand how and why people make the choices they do – has brought about increased understanding and adoption of stakeholder engagement throughout the IB journey. Thus it has evolved from a reactive and risk mitigation lens to a proactive engagement informing the strategy of the IB.

Key benefits mentioned by interviewees include:

- Trust building, particularly with BoP individuals and local authorities;
- Opportunities to co-create with BoP;
- Alignment of expectations and quality improvement – particularly as it refers to engagement of BoP as suppliers;
- Learning about your customer, which offers valuable insights that can drive purchasing decisions and behaviour;
- Foundations for partnership building.

### Which companies are leading the way?

East-West Seed is another example of a company that has successfully puts stakeholder engagement and collaboration at the core of their business model. It is the only global company in the seed industry with both a smallholder-centric business model, whereby its entire corporate strategy is geared toward this client group, and headquarters in Thailand. Smallholder farmers make up 98 percent of the company's clients, and 19 million smallholders have reportedly been reached through sales and 100,000 through agronomic training via the company's Knowledge Transfer foundation.<sup>23</sup>

Working with partners who have knowledge of BoP consumers, non-traditional business partners and communities is essential. Cooperation with partners also helps bring down the last mile delivery costs, which usually determines whether an inclusive business model is going to be sustainable or not. A great example from Essilor is their recent partnership with

Alibaba in China. Alibaba's Rural Taobao outlets, where rural residents can digitally access the same selection of goods and services available to their urban counterparts on Alibaba.com, are being converted into vision care points for communities. Community members can get their eyes tested by optometrists who will travel to them in mobile vans. Once residents have the prescription they need, they can buy their spectacles online via the rural Taobao shops.<sup>24</sup>

For Mastercard, whose inclusive business focuses on increasing access to financial services, partnerships with both public and private sector actors have enabled the company to deploy more innovative and profitable initiatives and advance their efforts to engage BoP populations much more extensively than they could have done alone. Its mindset for inclusive business partnerships is rather unique compared to its other branches of operation. **Read Mastercard's case study to find out more.**

*“Consideration of partnership opportunities in our inclusive business efforts has a broad focus, including the ability of partnerships to address the challenges inclusive businesses face, while our non-inclusive business activities will likely have a narrower, more immediate focus. For Mastercard, successful inclusive business means co-creation.”*

**Daniel Schwartz**, Director within the Global Policy Affairs team at Mastercard.

According to Mario Elias Gonzalez Lupercio, corporate leader on sustainable business at CEMEX, when comparing the standard business line versus its inclusive business initiative, the difference in stakeholder engagement approach is significant.

*“There’s something unique about inclusive business. People are more engaged and excited to participate in inclusive business initiatives than in ones that are one hundred percent commercial. Relationships between stakeholders are more genuine, built on mutual trust, and they are considered long term”.*

**Mario Elias Gonzalez Lupercio**, Corporate Leader  
on Sustainable Business, Cemex

Through its inclusive business the company is able to create common ground with actors outside the traditional business sphere, such as non-governmental organizations, universities and local governments, who might not be otherwise considered as partners. Partnering with local organizations enables CEMEX to leverage their knowledge about the local context and start initiatives in different environments. **Read CEMEX’s case study to find out more.**

## How to improve stakeholder engagement

<p><b>Tactics</b></p>	<p><b>1. Define and articulate your strategy:</b> Clarify your purpose, or what you expect to achieve, and the steps you will take to achieve it. Communicate the purpose and process clearly to engaged stakeholders. Map and prioritize stakeholders and identify levels of engagement.</p> <p><b>2. Measure your success:</b> Select measures of success to determine the performance of your stakeholder engagement. Review past engagements regularly and use the findings to refine the IB stakeholder engagement strategy.</p>
<p><b>Considerations</b></p>	<p>Imbalances can exist in the power dynamics between MNCs and local organizations or BoP populations on the ground.</p> <p>Co-creation and mutual accountability aspirations require the IB to go beyond involving the BoP and genuinely concede some decision making power and the ability to influence outcomes to the BoP.</p> <p>Strategic stakeholder engagement implies a longer-term engagement. It will require adequate resourcing to be properly managed, set up, implemented and for appropriate tools to evolve.</p>
<p><b>Case Studies</b></p>	<p><b>CEMEX, Mastercard and L’OCCITANE</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">A Shared Passion for Place Can Make a Business More Resilient</a> by Morela Hernandez, MIT Sloan Management Review – A column presenting how business leaders can perform better through hardship by engaging with broader community of stakeholders (2019).</p> <p><a href="#">Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets</a> by International Finance Corporation – Handbook providing practical tips for successful stakeholder engagement (2007).</p> <p><a href="#">The Future of Stakeholder Engagement: Transformative Engagement for Inclusive Business</a> by BSR – Research report discussing how companies can enhance commercial success, reduce risks, and create shared value by partnering with stakeholders (2016).</p> <p><a href="#">Five-Step Approach to Stakeholder Engagement</a> by BSR – Comprehensive toolkit for strategic planning and effective implementation of stakeholder engagement (2019).</p>

# 1.4 Corporate Advocacy

*“By strategically incorporating corporate advocacy as a piece of the overall sustainability strategy, companies are much better equipped to navigate the landscape, build leadership and play an impactful role in society. Increasingly we are seeing companies rewarded for speaking out and acting upon their values.”*

**Jonathan Sim**, *SustainAbility25*

IB Management Practice	Novice	Practitioner	Expert
<p><b>Corporate Advocacy</b> Identifying material issues to the IB on which the company is willing to speak out, engage and influence others including peers, policymakers, consumers, suppliers, employees, to help foster a better IB ecosystem and encourage faster or deeper change.</p>	<p>Individual approach – advancing defined values and purpose, own agenda in sync with IB.</p>	<p>Collaborative approach – levelling playing field, taking a stance and collaborating with peers.</p>	<p>Transformational approach – seeking change in the ecosystem. Actively trying to induce action, promote change. Collaborating and creating partnerships with likeminded actors across sectors and levels. Envisioning the direction of change; tilting rather than levelling the playing field while enabling bottom-up solutions.</p>
<b>Related IB Barrier</b>	Radical Change to Routines		

Consumers’ expectations towards companies to act socially responsibly and take a stance on social issues have grown. A recent study showed that almost two thirds of consumers make purchasing decisions based on a company’s stand on social issues.<sup>26</sup> It also showed that 60 percent of consumers want to see companies’ values and stances more transparently, and 53 percent believe that companies can do more than governments to solve social issues. Through corporate advocacy, companies can show they are ready to act on issues that are important for them, instead of only stating them in their strategies.

### **Harnessing the power of multinational companies to advocate for change**

Improving social responsibility requires broad, holistic engagements that reach beyond company walls to influence stakeholders and decision-makers, fostering cross-sector partnerships to drive change. With their size and reach, multinational companies are in a position to influence their peers, investors and political leaders to step up the action for sustainable development. By cooperating with each other, they can contribute to wider systemic changes, for instance in supply chain transparency, capital markets

or consumption patterns. Corporate advocacy is an instrument with which companies can promote an environment that enables scaling sustainable solutions and encourages creating new ones.<sup>27</sup>

### **Which companies are leading the way?**

The formation of the Action, Collaboration, Transformation ([ACT](#)) coalition in 2016 represents a significant milestone on the journey to fair wages. ACT comprises 20 global brands, including H&M Group and IndustriAll Global Union. It is the first global framework on living wages in the garment sector bringing together all relevant stakeholders, and demonstrates the power of corporate advocacy. Its mission is to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining at the industry level. While local employers and trade unions should negotiate wage levels and working conditions with each other, brands can contribute with a commitment to purchase only from responsible

approach is gaining deep understanding of the needs of the farmers they work with.

“We consider ourselves fortunate to work with the women at their coffee grower association. We introduce ourselves as ambassadors of their coffee at the events in which we participate in, and constantly recognize the people behind each cup of coffee. It is very important to us that our farmers are informed, and that they could participate actively in our projects, in which we constantly work to improve and adapt to ensure they are improving their lives,” says Samuel F. Ricardo Ruiz, Supracafé’s Chief Sustainability Officer.

Empowering coffee farmers through corporate advocacy has brought benefits for Supracafé in terms of increased productivity and quality of the product, enhanced credibility among clients and improved ability to manage risks. **Read Supracafé’s case study to find out more.**

*“If a company only creates their own code of conduct without a real ownership of the process in the country, there is a possibility that the implementation differs from the planned. Linking international purchasing practices with the national process of suppliers and treaties in the country is necessary to agree on sustainable substantial and continuous wage growth. That creates a need of increasing the trust level between competing brands, between trade unions and brands, between brands and suppliers, and between unions and suppliers at the country level.”*

**Frank Hoffer**, Executive Director, ACT

suppliers. ACT enables industry-wide actions, which are necessary for large scale change. By collaborating, brands can take advantage of their collective leverage, pressure suppliers to change their practices and support countries to take transformative actions. **Read ACT’s case study to find out more.**

For Supracafé, advocating to improve pay and working conditions for coffee growers in Colombia is a top priority. At the core of their advocacy

### **Community means business**

Corporate advocacy is usually seen as radically different from civil society advocacy, associated more with powerful lobbying of politicians behind closed doors than mobilizing ordinary people. However, some companies have acknowledged the opportunities that grassroots advocacy brings in terms of both doing good in the world and supporting their business, and have started encouraging their customers to advocate for causes they care about.<sup>28</sup>



Interesting examples of corporate advocacy have been seen in the sphere of climate politics. Businesses advocated around the process leading to the [Paris Agreement](#), demanding strong commitments from governments. During later climate meetings (COPs), companies have urged governments to effectively implement their national climate action plans, known as nationally determined contributions, and put forward policies which would enable businesses to make commitments in line with these plans. In 2017, when the United States announced they would withdraw from the Paris Agreement, major companies appealed to president Trump to stay in the agreement. Even though the US withdrew, many companies announced their support to the agreement.

### **Which companies are leading the way?**

A coalition called [We Mean Business](#) has brought together 863 companies making climate commitments across sectors and geographical regions globally. It is a platform that brings together influential businesses and investors to increase their impact in driving policy change towards a transition to a zero-carbon economy. It mobilizes businesses to set ambitious and impactful targets, influences governments to create ambitious and enabling policies, and further accelerates change through partnerships with public sector and civil society.

Our research found that in the field of inclusive businesses, corporate advocacy is an integral part of business operations. H&M, a member of the ACT coalition, shares the view of many experts that the only lasting and viable way to achieve substantial and sufficient increases in the basic wage for all workers is through fair negotiations between workers, trade unions and employers.

Corporate advocacy is also performed through public-private partnerships, of which the [Global Shea Alliance](#) (GSA) is a good example. It is a non-profit industry association advocating for policies that promote a sustainable shea industry in Africa and around the world. GSA has 525 members from 35 countries including women's groups, suppliers,

brands and retailers, non-profits, national producer associations and affiliate members. Together they promote adoption of fair business practices, the removal of trade barriers for shea products globally and improved quality of shea products by providing training on best practices. L'OCCITANE benefits from the GSA in three different ways. Firstly, they support with linkages and networks, for instance its RESIST programme is funded by USAID and was initiated by GSA. Secondly, they provide technical expertise and help L'OCCITANE find new markets. Lastly, they are a source of documentation, providing important information about pricing.

Another example of promoting industry-wide transformation is the Better Cotton Initiative (BCI), initiated in 2005 by IKEA and the World Wildlife Fund (WWF). The initiative aims to reduce the environmental and social impacts of cotton cultivation. BCI brings together actors along the whole supply chain: farmers, ginners, traders, spinners, mills, cut and sewers, manufacturers, retailers, brands, civil society and grassroots organizations. IKEA believes global action and collaboration are the only way to make lasting change: "IKEA wants to be part of a wide movement in the industry that develops Better Cotton as a mainstream product. By working together with others, we can achieve so much more than if we work on our own," confirms Guido Verijke, Chairman, Better Cotton Initiative and Deputy Business Area Manager Textiles, IKEA.

*“This requires industry-wide collective bargaining agreements that empower workers’ representatives to engage in fair negotiations. This approach replaces the idea that global brands should impose specific wage levels, a short-sighted tactic that undermines the role of workers, unions, employers’ organizations and governments to affect lasting change. Wages are an industry-wide challenge, and therefore need to be solved at an industry level to stand the test of time. Brands also need to advocate governments because they can set the necessary legal framework, ensuring the right to freedom of association and enabling collective bargaining.”*

**H&M Group website**

## How to improve corporate advocacy

<p><b>Tactics</b></p>	<p><b>1. Advocate collaboratively on issues that reflect the core values of your company and stakeholders:</b></p> <p>Define your values, the societal and environmental issues you want to tackle and your sustainability efforts and communicate them to the public.</p> <p>Collaborate to maximize impact and encourage others to join you in your efforts.</p> <p><b>2. Measure your impact, communicate it clearly and ensure transparency:</b></p> <p>Ensure transparency, which differentiates closed-door lobbying from corporate advocacy. Back up the credibility of your intentions with defined, measurable objectives. Show the impact of your actions by measuring them and communicating the results.</p>
<p><b>Considerations</b></p>	<p>Audiences notice if advocacy is not aligned with company’s own actions or with BoP needs and demands. Make sure advocacy is not only talk but also action.</p> <p>When planning and implementing corporate advocacy, it is key to keep in mind context, local concerns and cultural nuances. The same approach might not fit every location.</p> <p>Not taking part in corporate advocacy can be perceived as passive acceptance or ignorance, not just acting as a neutral observer.</p>
<p><b>Case Studies</b></p>	<p><b>ACT, L’OCCITANE and Supracafé</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">Corporate Advocacy as a Cornerstone of Sustainability</a> by Jonathan Sim, SustainAbility - An insightful blog-post about the meaning of corporates taking stance on social issues (2017).</p> <p><a href="#">Brands Take a Stand</a> by Edelman - A study of how companies can navigate in the world of belief-driven buying (2018).</p> <p><a href="#">Realizing Africa’s Wealth: Building Inclusive Businesses for Shared Prosperity</a> by UNDP’s African Facility for Inclusive Markets - A report describing the status of inclusive business in sub-Saharan Africa and the ecosystems underlying them. Also identifies promising opportunities in strengthening these ecosystems, enabling enterprises and entrepreneurs to build more and stronger inclusive businesses (2013).</p>



## 2 Performance

*“Understanding performance relies on the identification of a causal model that describes how actions today can influence results in the future. Performance is not a one-time event. Performance is dynamic. A performance measure is an instance in the continuous performance creation process.”*

*Business Performance Measurement: Theory and Practice* <sup>29</sup>

An inclusive business’ performance management approach determines what the company values. Effective and fair performance management includes linking IB priorities to both the initiative and the employee’s own professional goals. Investing in employees’ capabilities and differentiating rewards for high and poor performances drive organizations to outperform peers.

Our research has identified two performance practices that offer support in the structure and management of their IB operations to achieve those goals: **Performance Management and Target Setting.**

## 2.1 Performance management

*“Data can be used as either a rear-view mirror or as headlights. Successful organizations are using it as a headlight”*

**Elaine Chang**, *TaroWorks*

IB Management Practice	Novice	Practitioner	Expert
<p><b>Performance Management</b> Regularly track, review and act on the performance of the inclusive business (financial/commercial and social/environmental), including establishing performance processes that ensure continuous improvements and integration of learnings of the inclusive business.</p>	Measures tracked do not indicate directly if overall IB objectives are being met. IB focuses exclusively on hitting performance goals and does not build a performance culture, leading to information scarcity and a rigid business model.	Measures are tracked regularly but tied mainly to commercial IB objectives. IB focuses primarily on achieving performance goals, and periodically revisits IB model to adjust goals and integrate lessons.	Measures are tracked regularly with oversight from senior management feeding to both commercial and impact objectives and performance is leveraged as a decision-making tool. IB benefits from solid performance processes that ensure continuous improvements and reflect a culture of learning adaptation.
<b>Related IB Barrier</b>	Conflicting Mindsets		

### Unlocking value with robust inclusive business performance

Inclusive business can drive significant business benefits. But in many companies, its value is not fully realised. Robust IB performance management, driven by senior management and finance professionals, can be a key enabler to unlock this value. Like sustainability, when embedded throughout an organization, its strategy and operations, IB can drive value across a number of dimensions, such as revenue generation, trust building and risk management.

IB and the value it creates must be quantified and linked to business performance if the case for IB is to

be made and the benefits are to be realised. A robust IB performance management capability provides the information required for decision makers to identify and create value from the levers relevant to their business. The discipline and rigour applied to financial information should be applied to IB.

### Which companies are leading the way?

Gap Inc incorporates performance management as part of their IB management practices. Under its P.A.C.E. (Personal Advancement & Career Enhancement) programme, it regularly tracks, reviews and acts on the performance of their IB using meaningful metrics such as productivity, retention

or wages. Gap Inc has conducted measurement evaluations from the beginning of the initiative, collecting relevant data both in terms of the impact on women workers' lives and on contractors' factory business. This showed that the programme increased workers' stocks of soft skills, which in turn led to productivity improvements.

However, for many enterprises, current efforts to manage IB performance tend to be tactical rather than strategic. These efforts are rarely linked to business performance and the measurement and tracking of IB initiatives is not as rigorous as that of revenue or profitability. By incorporating IB into standard business systems and processes, it becomes part of planning and reporting – further integrating it with both day to day operations and strategy. IB initiatives can deliver competitive advantage, build strong and lasting customer relationships and create long-term stakeholder value. It is becoming aligned with organizations' core objectives and helps deliver business outcomes.

### **From performance measurement to performance management**

Business performance management entails reviewing the overall business performance and determining how the business can better reach its goals in the most effective and efficient manner. This requires the alignment of strategic and operational objectives and the business' set of activities in order to manage performance. Performance measurement, on the other hand, can be defined as the process of quantifying the efficiency and effectiveness of an action. In a customer context, effectiveness refers to the extent to which customer requirements are met, while efficiency is a measure of how economically the firm's resources are utilized when providing a given level of customer satisfaction.<sup>30</sup>

Companies that are implementing IBs well have managed to adopt a performance culture looking at the impact of their initiative which can be directly

correlated with the continuous growth and the realisation of their objectives and goals. Building a solid impact framework and embedding impact management as an ongoing management practice informing strategic decision-making, drives IB value and strategic growth.

### **Acumen's Lean Data**

Lean data involves the application of lean experimentation principles to the collection and use of social and environmental impact data. The approach incorporates two main features: first, a shift in mindset away from reporting and compliance and toward creating value for a company and its customers; and second, the use of methods and technologies for data collection that favour efficiency and speed while maintaining rigor. Lean data embraces the uncertainties and complexities that are inherent in IB.

### **Pioneering impact management with inclusive business globally: what have we learned?**

Since 2015, BCtA has been supporting member companies of all sizes and across geographies in their impact management practices. Based on our first-hand experience, the main challenges faced by companies are a lack of financial or human resources to conduct impact measurement and the need to rely on partner organizations for data collection. This is usually due to perceiving impact measurement as separate operations, such as evaluation programmes or impact assessments, that are conducted after the implementation phase to keep up with demands for sustainability reporting and standards. Conducting

impact measurement can indeed be highly resource-consuming, even for MNCs, because capturing impact outcomes and claiming attributions for company actions demands specific research design that is usually purchased from external consultants. A common issue is also integrating too many indicators to measure accurately.

However, while working with our member companies we have seen that the most successful IBs understand impact as an integral part of their performance management – an approach which transforms impact measurement from a burden to an opportunity. They perceive it as an ongoing practice that deepens a company’s understanding of their customers and leads to improved IB management and products and services that meet customers’ needs. So, in addition to proving impact to donors or other stakeholders, companies want to learn and improve their practices. Those companies have a well-defined framework for impact management before starting implementation of IB activities, and they review and adjust their theory of change regularly as opposed to seeing it as a static document.

Instead of using many standardised indicators, selecting fewer well-chosen indicators that serve companies’ needs enable IBs to get a deeper understanding of their stakeholders and capture impact. The most important thing that separates perceptions of impact measurement and impact management is, that whereas impact measurement is mainly driven by external motivation of proving impact, impact management is driven by internal motivation to increase business value with improved products and services. An important part of it is understanding the effects for beneficiaries and mitigating any harm that they might encounter resulting from the company’s actions.

### Which companies are leading the way?

While external and internal reasons drive performance management, the bigger reason stated by IB is, usually, internal. Anuj Mehra, Managing Director and Executive Director of Mahindra Home Finance, the largest housing finance company serving rural India, confirms that this is the case for his company. He says performance management shows employees the importance of their work and keeps them engaged:

*“The work is very challenging by nature, so seeing proof of the value of their work is important to keep the employees motivated and engaged. Our field is an extremely people-oriented and physically demanding field. Employees will not engage very long unless they see the change they are making.”*

**Anuj Mehra**, Managing Director and Executive Director of Mahindra Home Finance

External reasons relate to attracting impact investors and the government, for which Mahindra must show the value of their work. Having a strong case to prove the relevance of their actions is necessary to attract enough funding and to strengthen the government’s support to inclusive business, which in turn affects regulation. **Read Mahindra’s case study to find out more.**

## How to improve inclusive business performance management

<p><b>Tactics</b></p>	<p><b>1. Monitor IB performance and align performance metrics with your needs</b></p> <p>Understand cause and effect linkages between activities and outcomes and analyse key drivers for IB and integrate them into IB strategy.</p> <p>Determine the most critical IB performance metrics, clearly linking them with decision-making questions.</p> <p>Devise a data collection plan that clearly and effectively responds to your critical metrics needs.</p> <p>Include social and environmental targets and objectives in performance appraisal.</p> <p><b>2. Foster an organizational culture to use performance metrics as a routine part of IB performance management and decision-making</b></p> <p>Change the perception of IB performance measurement from a yearly reporting tool to a decision-making tool.</p> <p>Encourage commitment from senior management to implementation team.</p> <p>Integrate performance measurement into the existing data collection, analysis and reporting processes; apply the rigour used in financial reporting for social and environmental data and information.</p> <p>Adopt lean approaches (efficient performance cycle).</p> <p><b>3. Focus on learning and adaptation - not only on hitting IB performance goals</b></p> <p>Evaluate past performance to drive learning process, or feedback loop, and determine firm’s optimal future strategy and marketing tactics.</p> <p>Use champions to promote IB and celebrate success.</p>
<p><b>Considerations</b></p>	<p>Building performance management as a dynamic culture within a company can take time and effort. Ensuring that performance measurement is understood as an instance in the continuous performance creation process and that the focus on continuous management is maintained is paramount.</p> <p>IB performance management system should not be a static tool, but rather regularly updated and consistent to changing internal and external environments. Flexibility is key; it’s about adapting to changing environments while maintain the cap on high performance.</p> <p>Carefully crafted and creatively applied performance measurement practices can render an inclusive business both more robust and sustainable. Important to this is the realisation that performance measurement and management systems generally involve assessment of past IB performance for the purpose of managing future IB performance.</p>
<p><b>Case Studies</b></p>	<p><b>Mahindra</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">Online Impact Lab</a> and <a href="#">case studies on BCtA Impact Measurement Services (BIMS)</a> by BCtA – A BCtA initiative that demonstrates how inclusive businesses can measure and apply social impact data.</p> <p><a href="#">Harnessing the power of performance management</a> by Sabrin Chowdhury, Elizabeth Hioe, and Bill Schaninger. McKinsey – An article summarizing three practices for successful performance management based on a McKinsey Global Survey (2018).</p> <p><a href="#">The Performance Management Revolution</a> by Peter Cappelli and Anna Tavis, Harvard Business Review – A comprehensive article about historical developments and most recent directions in companies’ performance management approaches (2016).</p> <p><a href="#">The Lean Data Field Guide</a> by Acumen – A brief and practical guide on how to start using lean data approach in performance management to build more impactful business (2015).</p> <p><a href="#">Impact Management Project</a> – A forum building global consensus on impact performance, sharing best practices and providing practical tools and templates on measuring, reporting and improving impact.</p>

## 2.2 Target setting

*“Companies report that it is easiest to avoid strategic and operational misalignment in the first place by understanding their country priorities and growth strategies and pursuing inclusive business initiatives that support them. If doing business with base of the economic pyramid suppliers, distributors, retailers, and/or consumers helps a company achieve existing goals, then it automatically aligns with existing operating structures, processes, performance targets and incentives set up to drive progress toward those goals.”*

**World Business Council for Sustainable Development**

IB Management Practice	Novice	Practitioner	Expert
<p><b>Target setting</b> Set a balance of financial/commercial and social/environmental impact targets for the inclusive business. Fix inclusive business targets for the short and long term and link them to the vision and objectives of the company.</p>	<p>IB focuses primarily on one of the two target types and either fails to demonstrate the business case or the IB impact (e.g.: CSR funded IB). IB uses short-term horizons in target setting with limited/no connection to the objectives of the IB; not attracting patient capital and upfront investment often required in IB.</p>	<p>IB incorporates both financial/commercial and impact targets but are not integrated into a joint strategy decision making. IB sets target in short- and long-term horizons but with limited interconnection and limited connection to the objectives of the company.</p>	<p>IB incorporates and integrates both financial/commercial and impact targets thus balancing the materiality of all three dimensions. IB sets a mix of interconnected short and long-term targets linked to the vision and objectives of the company. Company's objectives are translated into specific short- and long-term targets acting as milestones to track progress.</p>
<b>Related IB Barrier</b>	Initiative Evaluation Criteria		

### How target setting can help balance commercial and social priorities

To increase productivity and performance levels, companies are guided to set specific targets that help guide their actions and motivate employees towards desired business performance. Successful target setting practices are guided by long-term strategic priorities that describe the desired state of business. To be able

to define its objectives, a company must be well aware of its current state, stakeholder expectations and customer needs, and understand how its model creates value for both company and customers.

Increasing focus on the triple bottom line has pushed companies to balance targets to increase both commercial and social value creation. Instead of focusing only on strategic operational targets and



key performance indicators, setting both kinds of targets help companies capture a broader picture of their performance and ensure the sustainability of their actions. Still, the number of companies that set performance targets that drive positive environmental and social impact is low.<sup>31</sup>

### Which companies are leading the way?

Companies that are successful in implementing IB put shared value at the heart of their target setting and so consider both long-term targets and the triple bottom line. For instance, Pinar, a leading brand in the food industry in Turkey, sets short, medium and long-term targets to measure performance, improve impact and ensure the continuity of its inclusive business initiative, *The Future of our Milk is in Safe Hands*.<sup>32</sup> Pinar sets targets for each local project regarding the number of producers participating in their trainings and benefiting from them, and regarding the improvements in productivity and milk quality under “Pilot Area Implementations”. Targets for quality are concretized in improved results of microbiological measurements and productivity in increased amount of milk yield and reductions in milk cost for each litre. The benefits are visible in commercial business and in the lives of local producers: the targets help to ensure that the quantity of high-quality product keeps rising, thus giving competitive advantage to the company and improved income to the producers. **Read Pinar’s case study to find out more.**

Muji makes sure the targets are revised regularly in order to ensure they stay relevant and reflect the current situation in the operating environment. On a yearly basis, Muji revises the progress made towards achieving its targets and uses this information to inform future product development. Revising the targets allows Muji’s development team to identify the strengths and challenges faced in the implementation and make informed decisions about the project’s future directions. **Read Muji’s case study to find out more.**

Targets can be set using a top-down or participative bottom-up approach. In the top-down approach senior management sets the targets, which means the process is effective, but also that lower level management and

employees usually have no or little understanding of the process behind decisions. The bottom-up approach instead includes employees in the target setting process and encourages them to express their opinions and make use of their knowledge about customers.<sup>33</sup> This approach is linked to deeper commitment of employees and thus better performance. In the context of IB this could mean also engaging beneficiaries, listening to their interests and needs and leveraging local knowledge.

Our research also revealed that more and more firms passed the point of “any positive impact is good enough” to set truly intentional, informed and ambitious targets with concrete actions to achieve them. For instance, some inclusive businesses are adopting Science-based targets. More than 100 major global corporations, including Panasonic, Unilever, Diageo and IKEA have now set greenhouse gas (GHG) emission reduction targets that are informed by independent climate science. The world’s leading climate scientists and governments agree that it is essential to limit the increase in global average temperature to below 2°C and ideally below 1.5°C. Science-based targets allow companies to work toward this goal by aligning corporate GHG reductions with global emissions budgets generated by climate models.

IKEA targets for 2030, approved by the Science Based Targets initiative, include reducing GHG emissions from IKEA Group stores and other operations by 80 percent in absolute terms compared to 2016, and GHG emissions from IKEA Group customer/co-worker travel and customer deliveries by 50 percent in relative terms compared to 2016.<sup>34</sup>

Science-based target setting can spur ambition and generate the innovations needed to transition to a low-carbon, sustainable economy. This type of innovation can redefine companies’ bottom lines by creating new business models and sources of value, and by disrupting currently unsustainable economic systems. Setting these targets in advance of carbon-related regulations will allow companies to be well equipped to respond to regulatory and policy changes. Companies can demonstrate their robust commitments to reduce emissions and help mitigate global warming to investors and clients.

## How to improve inclusive business target setting practices

<b>Tactics</b>	<p><b>Set meaningful financial, social and environmental targets:</b></p> <p>Define the broader vision of where you want to go with your IB, then based on that, define targets.</p> <p>Use scientific knowledge or partner with experts to set highly impactful targets and be intentional, informed and ambitious when setting your targets and planning actions to achieve them.</p> <p>Set timelines and define targets in the short, medium and long term.</p> <p>Define quantifiable metrics to measure the progress.</p> <p>Collect inputs from internal and external stakeholders.</p>
<b>Considerations</b>	<p>Targets should reflect the interests and needs of the BoP. Part of the bottom-up approach in the context of IB would be including beneficiaries in the target setting processes to ensure they remain at the core of IB.</p> <p>It is important that employees from different levels of the company are informed about the company's targets and motivated to work towards achieving them. Communicate targets internally and make sure everyone knows their role.</p>
<b>Case Studies</b>	<p><b>Pınar and Muji</b></p>
<b>Additional Resources</b>	<p><a href="#">Targeting Value - Setting, Tracking &amp; Integrating High-Impact Sustainability Goals</a> by O'Neill &amp; Hansen, SustainAbility - A report providing insights on the value of setting sustainability targets and presenting best practices for setting targets that deliver maximum business value and social impact (2017).</p> <p><a href="#">Make Your Values Mean Something</a> by Patrick Lencioni, Harvard Business Review: Target setting should be based on values - A comprehensive article on setting meaningful values for the company (2002).</p> <p><a href="#">Science- vs. Context-Based Metrics - What's the Difference?</a>, by Mark McElroy, Sustainable Brands - An article presenting how to set better goals by mixing science- and context-based metrics (2015).</p> <p><a href="#">The Road to Context</a> by Stephanie Bertels and Rylan Dobson, Embedding Project - A guide assisting in contextualizing strategies and targets, presenting also helpful tools to use during the process (2017).</p>



## 3 Talent Management

*"[A]s the rate of skills change accelerates across both old and new roles in all industries, proactive and innovative skill-building and talent management is an urgent issue. What this requires is a [talent development] function that is rapidly becoming more strategic and has a seat at the table—one that employs new kinds of analytical tools to spot talent trends and skills gaps, and provides insights that can help organizations align their business, innovation and talent management strategies to maximize available opportunities to capitalize on transformational trends."*

**World Economic Forum**<sup>35</sup>

Talent management refers to the anticipation of required human capital for a company and the planning to meet those needs. It is the science of using strategic human resource planning to improve business value and to make it possible for companies to reach their goals. Everything done to recruit, retain, develop, reward and make people perform forms a part of talent management as well as strategic workforce planning.

As the global demographic shift and the 4<sup>th</sup> Industrial Revolution are fundamentally reshaping the future of the global workforce, we identified two talent management practices that can help IB ensure their human capital can deliver their mission: **Talent Recruitment and Management, and Employee Well-being.**

## 3.1 Talent Recruitment and Management

*“We do not yet understand the size and scope of the talent gap facing the inclusive business (IB) world. We do know that to stem the tide of global climate change, environmental degradation, and mass inequality, the IB sector needs to both grow and scale. With entrepreneurs and funders citing talent challenges—in terms of recruitment, training, and development—at every level of organizational growth, we ought to be investing in solving this problem.”*

**Dana Gulley**, founder and lead consultant at Third Peak Solutions, Editor-in-Chief at iBAN

IB Management Practice	Novice	Practitioner	Expert
<b>Talent recruitment and management</b> Source, attract and select talent for the inclusive business. Develop, promote and retain high-potential employees.	IB follows a passive approach in talent recruitment. IB does not invest in talent development and provides no growth opportunities, which leads to a high turnover. HR seen as equal across company, without tailoring to IB needs and capacities involved in those markets. Non-attractive packages.	IB actively sources talent across industries and locations but does not provide strong incentives to attract them. IB provides some opportunities for professional growth. Some investment in training and measures taken to retain and promote top talent.	IB actively sources talent across industries and locations and provide excellent incentives that attracts talent. IB regularly invests in training and developing talent and takes measures to retain and promote top talent.
<b>Related IB Barrier</b>	Incentive structure and discrepant mandates		

In light of both the opportunities and the practical challenges posed by automation, IB must ensure a smooth workforce transition while embracing the prospects technology offers in terms of productivity and innovation. Business leaders should prioritize investing in their current employees in order for them to adapt to new technologies or retrain for new occupations and build a future talent pipeline capable of meeting the needs of an automated workplace.

### **So, what is specific about talent management in inclusive business?**

For IB, identifying, incentivising and retaining skilled staff may be challenging, particularly for those that are not part of larger businesses and face tighter financial limitations, thus making it difficult to remunerate staff competitively. In addition, staff often have to work in challenging contexts, thus increasing the need for incentives and motivation; and in low-income contexts, demand for qualified staff

usually exceeds supply due to weak education and training systems as well as brain drain to other parts of the country or internationally. Finding staff with the right mix of skills, especially at management level, who combine business aptness with an understanding of inclusive businesses' social mission can also be challenging.

The variety of terms used to define talent reflects one of the most central debates in talent management (TM); whether TM is an inclusive approach which focuses on (the talent of) all employees, or an exclusive approach aimed at attracting and retaining a select group of employees. Some companies assume that some employees have more value or potential than others and therefore should receive high attention and resources in order to help the organization grow and scale. Other companies nurture a more inclusive approach. They believe that putting too much emphasis on top players could damage morale and alienate opportunities to achieve broader gains.

Our research revealed that IB typically sits in the latter group of companies. Such an approach tends to resonate with the company's vision and objectives. Talent management tactics used for different groups are based on an assessment of how best to leverage the value that each group of employees can bring to the company. Establishing a Talent Development function can be helpful in building talent strategy. Talent developers have the unique ability to hone employee talent and create and curate learning content to empower employees to continue to grow.

People willing to work for IBs – mid- to senior-level staff – are often intrinsically motivated and passionate about their jobs. Investing in finding staff that fit and being creative in recruitment can help overcome some of these challenges. Using existing talent pools in recruitment subsequently helps the company grow their IB by influencing a higher number of individuals inside the organization. Those that are good at promoting from within are more likely to be effective at many other aspects of talent recruitment and retention.

Multinationals engaged as part of this research highlighted the importance of building the right mix of incentives to attract and retain talent. Working in IB often requires staff

to work in remote locations or less comfortable settings. Building flexible probation periods saves companies costs related to staff turnover. It allows staff to experience the nature of the job and make a more informed decision.

Companies in the sample that are implementing IB well also offer interesting solutions that go beyond monetary compensation, such as in-kind incentives, and special on-the-job screening procedures for new staff. Many financial rewards mainly generate short-term boosts of energy, which can have damaging unintended consequences. Offering a combination of financial and nonfinancial incentives that will serve the IB best through and beyond the downturn is critical.

### Which companies are leading the way?

Successful inclusive businesses use a variety of incentive structures for different target groups. To minimize staff attrition, the Bangladeshi textile company DBL Group offers various non-financial benefits to incentivize and retain its workers, well beyond what is required by law. Besides having introduced 'fair price shops' that serve to create employee loyalty through convenience and low prices, DBL also offers on-site healthcare, breast-feeding rooms and childcare to its employees. DBL's efforts have

*"P.A.C.E. embodies Gap Inc's commitment to equality and exemplifies the "shared value" approach to community investment. It changes the lives of the women who participate and has a positive ripple effect on their families and communities. At the same time, it brings value to the factories where these women work through increased productivity, engagement, and retention. Overall, it is a win-win-win solution for all involved."*

**Susan Goss Brown**, *President of Gap Foundation*

also been geared toward ensuring that its workforce is diverse and inclusive across all levels. Although women comprise approximately 80 percent of the global garment industry workforce, relatively few advance to higher-level management positions and many lack access to the education and skills training they need to support their personal and professional growth. To empower its female workforce, DBL made a commitment to ensure that by 2020, half of its line supervisors would be women. To foster this professional advancement, DBL established its Female Supervisors Leadership Program, which builds both the soft and technical skills necessary for leadership positions, including safety, personal development, motivational techniques, communication skills, company code of conduct and quality assurance. Such efforts are already boding well for the company. Climbing alongside female employment was DBL's employee retention rate, efficiency and overall production. [Read DBL's case study to find out more.](#)

Gap Inc's P.A.C.E. programme, a similar initiative, provides workplace education in managerial, interpersonal, organizational and other practical skills that women need to advance both in the workplace and in their personal lives. Such an investment not only helps

to tackle gender inequality but also ensures that Gap Inc vendors have a more engaged and productive workforce. [Read Gap Inc's case study to find out more.](#)

Pınar, for instance, has trained milk producers since 1973 when the company was founded, and therefore ensuring continuation is of great importance to the company. Idil Yigitbasi, Chairperson of the Board of Pınar Institute, said trainings were available for all producers.

"As Pınar Dairy, we have given great importance to increasing the knowledge and competence of our producers. If we want to produce our products in higher quality standards continuously, we will continue supporting milk producers through trainings. Such training activities are giving positive results in terms of productivity and quality," says Yigitbasi.

The Colombian restaurant chain Crepes & Waffles invests in extra-legal benefits (health, well-being and family support) for its employees as well as trainings and scaling opportunities for all its employees. The company signed an agreement with an education organization which provides elementary and secondary education both online and in person. Crepes pays half of the tuition fee of the attending employees, while

## Spotlight on Servant Leadership

Leadership style is said to be an important factor of employee retention. A recent study by LinkedIn found that managers account for at least 70 percent of employee engagement scores. Creating programmes to get managers engaged with learning and development is critical to the success of the talent development team.

While traditional concepts of leadership involve the accumulation and exercise of power by those at the top of the pyramid, the alternative concept of "servant leadership" encourages leaders to put the needs and interests of the organization and the people within it as the top priority. This leadership style not only focuses on the relational aspect of leadership, but also the ethical and emotional aspects. Servant leaders stress talent development and value creation, and lead to a flatter organizational structure and a diffusion of power within the organization.

Servant leadership feeds a culture of respect and esteem for leaders and leads to higher productivity. Servant leadership emphasises the moral responsibility not just for the organization and employees, but for all stakeholders. We believe that servant leadership styles lead to more successful IBs. Inclusive businesses that pursue more distributed leadership models are much better positioned to respond to a world where the four trends we listed in Part 3 are accelerating the need for impactful business models.

their immediate family members can join paying at full price. To promote further education of employees with secondary education, Crepes partnered with the National Technical Institute.

“One of our employees had no education and because of her illiteracy, she was taking customers’ orders using symbols. After years she went to school, got a technical degree and is now part of the administrative unit in Crepes,” says Maria Alicia Andrade, Crepes’ Operative Director.

## How to improve inclusive business target setting practices

<p><b>Tactics</b></p>	<p><b>1. Integrate values into talent management processes</b></p> <p>Integrate stated core values and business principles into talent management processes, such as hiring methods, leadership development activities, and compensation and benefits programmes.</p> <p>Articulate and communicate the IB purpose in an effective way to new and prospective hires.</p> <p><b>2. Adapt talent recruitment to IB setting and disruptive technologies</b></p> <p>Develop deep analysis and scenario setting of long-term staffing needs.</p> <p>Identify the specific competencies required in each position.</p> <p>Explore the internal pool of available talent.</p> <p>Establish flexible probational periods.</p> <p><b>3. Sustain existing talent and make employee engagement a priority</b></p> <p>Go beyond financial rewards in designing incentives.</p> <p>Create learning opportunities and invest in trainings.</p> <p>Establish a Talent Development function to your IB.</p>
<p><b>Considerations</b></p>	<p>In IB more than anywhere else, formal qualifications are not always the best predictors of performance and retention. BoP markets require acute soft skills to effectively communicate, problem solve, collaborate and organize.</p> <p>Many professionals remain in their jobs only if the job matches their deeply embedded life interests and passions. Passions keep people engaged and committed to their work.</p>
<p><b>Case Studies</b></p>	<p><b>DBL and Gap Inc</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">Talent System Assessment Tool (TSAT)</a> by McKinsey - A tool companies can use for diagnosing their current talent management system and getting recommendations on how they could improve it to deliver more value for the company (2011).</p> <p><a href="#">HR Goes Agile</a> by Peter Cappelli and Anna Tavis, Harvard Business Review - An article exploring the opportunities and providing guidance in using agile tools for HR processes and talent management (2018).</p> <p><a href="#">Model Workers: How leading companies are recruiting and managing data talent</a> by Hasan Bakhshi, Juan Mateos-Garcia and Andrew Whitby, Nesta - A report analysing the needs for data skills in companies and presenting good practices on how to manage data talents effectively (2014).</p> <p><a href="#">The CS Gender 3000: The Reward for Change</a>, Credit Suisse Research Institute - A research report showing the link between gender diversity in the workplace and improved business performance (2016).</p> <p><a href="#">2018 Workplace Learning Report</a>, LinkedIn -Research presenting how talent development can help companies attract and sustain best talent in the workplace and perform successfully in the changing labour markets (2018).</p>

## 3.2 Employee Well-being

*“The wealth of business depends on the health of workers.”*

**Dr Maria Neira**, Director, Department of Public Health and Environment,  
World Health Organization.

IB Management Practice	Novice	Practitioner	Expert
<b>Employee well-being</b> Promote the quality of life, health and the ability to work of your employees.	Considerations for employee well-being is limited.	IB mitigates health-related problems resulting from work but do not adopt any practices to increase the well-being of their staff.	IB proactively promotes employee well-being and treats it as strategic issue. Employee well-being is seen as a way of engaging employees and enhancing productivity.
<b>Related IB Barrier</b>	Incentive structure and discrepant mandates		

It's only been 10 years since the concept of well-being and its measurement as a component of a country's GDP was developed and discussed globally. Nobel Prize winning economists Joseph Stiglitz and Amartya Sen were the pioneers who argued for the need for an array of carefully-chosen figures, with a better understanding of the role of each of those numbers.<sup>36</sup> Today, businesses are slowly adopting the concept and realising the importance of individual well-being inside and outside the workplace.

According to ILO, workplace well-being “relates to all aspects of working life, from the quality and safety of the physical environment, to how workers feel about their work, their working environment, the climate at work and work organization”.<sup>37</sup> Research shows that employers can have an influence on

an individual's sense of well-being in the way they run a workplace. Well-being is related to general working conditions, but today more often to the way that work is organized and the competencies of management.<sup>38</sup>

### **It's time to proactively link employee well-being to productivity**

Rather than only mitigating health-related problems resulting from work, many organizations are choosing to adopt practices to increase the well-being of their staff, believing that it improves workplace performance in profitability, labour productivity and the quality of outputs or services.<sup>39</sup> Job satisfaction, including with training, skills development opportunities, how much autonomy employees have in their role, and how much scope they have



to use their own initiative and influence decisions, also shows a strong and positive link with workplace performance.<sup>40</sup>

Many companies and investors see this kind of human capital management as an indicator of long-term prospects. For example, Business in the Community's "Workwell Model"<sup>41</sup> places well-being and health as strategic issues at the core of organizational culture, demonstrating the business benefits of taking a proactive approach to employee well-being. This model has been recognized as an indicator of longer-term financial performance.

### Which companies are leading the way?

When organizations focus as much on well-being as they do on productivity, it results in a simultaneous boost in both the output and health levels of workers.<sup>42</sup> In our research, we found that IB integrated employee well-being not only as a moral imperative but also as a strategy to boost productivity and ensure the success of their initiatives. For the past 10 years, Crepes & Waffles has implemented "Arts Academy", a platform supporting the development of all its personnel, from administrative to C-suite. The platform uses art and methodologies based on the cultivation of integral consciousness and learning to generate processes that transform the relationship of the individuals with themselves, with each other and with the social and natural environment. This is intended to invigorate the sense of community among Crepes' staff through a process of profound individual transformation and social change.

*"Dignifying lives of employees and people involved in Crepes' supply chain is crucial for the sustainability of the company. Because we see and treat our personnel as critical pieces of our DNA, they also feel part of something greater and become partners that guarantee the quality of our business."*

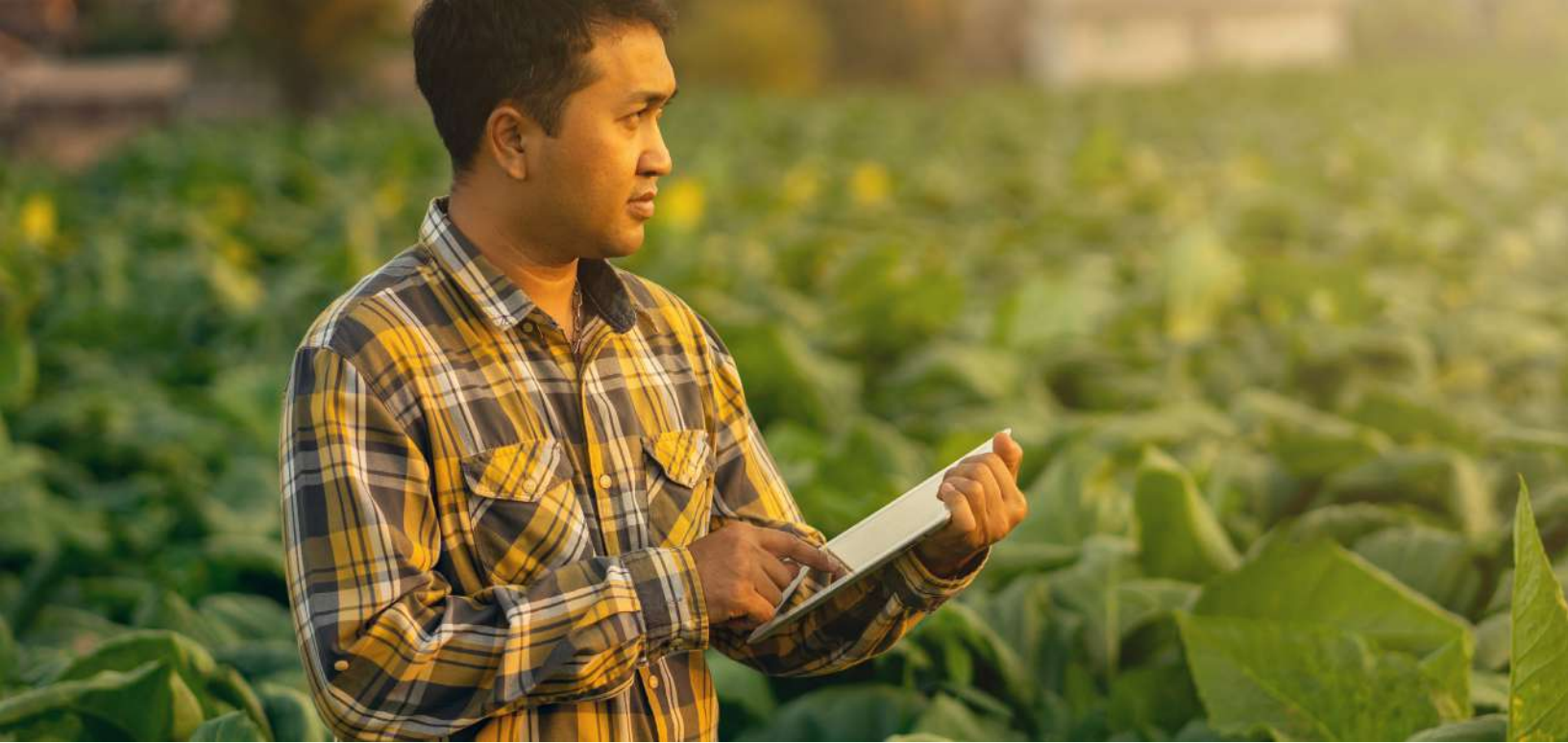
**Rodrigo Cabrera**, *Crepes & Waffles'*  
Administrative Manager.

The benefits from focusing on employee well-being are significant. Crepes has the lowest rotation rate in the industry (12 percent in 2018 compared with an average of 35 percent in the industry) – staff members stay an average of 11 years.

"We encourage our staff to grow and appreciate one another, regardless of their social-economic status. This is possible in part due to the ongoing trainings as well as our need to make them feel part of something greater", Silvana Rovida, "Arts Academy" director explains. [Read Crepes & Waffles' case study to find out more.](#)

## How to improve inclusive business target setting practices

<p><b>Tactics</b></p>	<p><b>1. Create value and increase employee engagement by aligning organizational practices to support employee well-being</b></p> <p>Make employee well-being part of your business strategy. Assess the health and sense of well-being of your employees regularly and adjust policies accordingly.</p> <p><b>2. Promote well-being by providing opportunities to be in control over and influence one's own work</b></p> <p>Develop policies for flexible work regarding working location and hours. Include employees in decision-making processes.</p> <p><b>3. Reduce absenteeism and increase high quality performance with a proactive approach to health</b></p> <p>Explore new solutions offered by digital technologies for organizing work more flexibly and promoting workplace well-being and employee health. Offer employees chances to promote health in and outside the workplace. Support access to professional health-care and reliable health information.</p>
<p><b>Considerations</b></p>	<p>Promoting employee well-being should never come at the price of fair salaries, good contracting and compliance with labour rights.</p> <p>Plan policies and extra-legal benefits considering local context and socio-economic dynamics of operating environment.</p> <p>The sole absence of factors that harm employee well-being is not enough; instead actively promote health and well-being.</p> <p>Employee well-being means both physical and mental health; neither should be neglected.</p>
<p><b>Case Studies</b></p>	<p><b>Crepes &amp; Waffles</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">Does Worker Well-being Affect Workplace Performance?</a> by Bryson A., Forth J., Stokes L., National Institute of Economic and Social Research - A research paper focusing on how subjective well-being of employees can affect workplace performance (2016).</p> <p><a href="#">The Healthy Business Coalition Toolkit</a> by BSR - A five-part toolkit to guide companies to create value through enabling long-term improvements in the health of consumers, communities and employees.</p> <p><a href="#">The Benefits of Well-being Technology in the Workplace</a> by Zak Goldberg, Thrive Global - An article presenting possibilities of boosting employee well-being through technology (2018).</p>



## 4 Operations Management

*“Technology growth is fast and has become the driving sector of every company for them to stay competitive – from automation to AI. It can also be used as a foundation to grow social impact with just a little thought. And tying the two together means you can get double bottom line returns. People think that social impact and tech are antithesis of each other. It’s the synergy that’s powerful.”*

**Yao Huang**, Managing Partner at The Hatchery

Operations management encompasses the whole life cycle of the product, from research and development through the value chain to marketing, disposal and reverse logistics. It has traditionally focused on maximising an organization’s efficiency purely in terms of profitability, but since the approach of triple bottom line has gained traction, sustainability has become an increasingly important part of it.<sup>45</sup> The role of innovations in creating competitive advantage for companies in terms of profitability and sustainability is highly acknowledged and indeed, despite the fact that operations management includes a lot more than R&D and innovations, for inclusive businesses, excelling in these practices appears to be one important factor setting the experts apart from others.

We identify two key Operations Management practices: **Research and Development Practices and Adoption of Innovative Technology.**

## 4.1 Research and Development (R&D) Practices

*“It is now increasingly clear that BoP entrepreneurs must come to view the poor more as partners and colleagues rather than merely clients or consumers. Such an approach calls for deep dialogue (two-way communication) rather than just deep listening. We now know that BoP enterprises must develop a new “native capability” which focuses on co-creating business concepts and business models with the poor, rather than simply marketing inexpensive versions of top-of-the-pyramid products to low-income consumers.”*

**Stuart L. Hart**, Program Director at the Sustainable Innovation MBA Program at University of Vermont, Grossman School of Business, Founder and President of Enterprise for a Sustainable World and Founder of the Base of the Pyramid Global Network.

IB Management Practice	Novice	Practitioner	Expert
<b>R&amp;D practices</b> Invest in and apply research and development practices into IB operations to generate innovative and inclusive products and services.	Assumes to understand BoP market’s specific context and does not invest in R&D on IB. Solutions are not tailored to BoP markets, which results in failures in affordability and/or accessibility of product and services.	Acknowledges BoP context and leverages local knowledge in innovation processes.	Brings principles of behavioural science and human-centred design at the core of R&D, engages the BoP in innovation development processes.
<b>Related IB Barrier</b>	Radical Change to Routines		

### Rethinking traditional methods of research and development

Companies use research and development (R&D) to gather information in order to both create innovative new products and procedures and refine existing ones. Companies that invest the most in R&D are in the field of technology, software and pharmaceuticals,<sup>44</sup> and it has traditionally been considered an internal activity.

However, an approach called open innovation, which refers to knowledge flows and collaboration across organizational boundaries, has increased in popularity as a new conceptual framework for understanding industrial innovation in the past 15 years.<sup>45</sup> It differs from the traditional approach of closed innovation by opening up once internal R&D processes and including external sources of knowledge and resources for

innovation. Companies also allow external actors to access the unused knowledge of the company, so that other actors can use it in their business models. The approach emphasizes collaboration and co-creation with other companies, customers, local communities and external agencies.

Human-centred design and behavioural economics have also become more popular among many businesses, bringing customers or targeted populations to the core of R&D, resulting in personalized and tailored products instead of settling for generic solutions.<sup>46</sup> Acknowledging the value of addressing unique needs is a key factor for successful IBs. Co-creation brings stakeholder engagement to an even deeper level, reflecting changing power dynamics between customers and companies.<sup>47</sup> Collaborative forms of product development involve targeted populations directly in the processes from the design phase, and emphasize the meaning of stakeholder engagement.<sup>48</sup> These R&D practices recognize the value of local knowledge, ensure that products and/or services meet their needs, and are accessible and affordable for the targeted populations, maximising both consumer and commercial value.

### Which companies are leading the way?

For Mastercard, the leading global payments and technology company, being customer-focused, rather than product-focused, is key for the success of their IB.

As the Mastercard example shows, aligning business strategy with responsible purpose (inclusion of both commercial and social targets) is an important baseline for successful inclusive innovation. For innovations to be successful, a company should be willing to integrate inclusive business into its strategies, policies, organizational culture, values and leadership. If this is not done, resources for innovation might be given only for a short period of time, which restricts long-term development that is essential for inclusive innovations.<sup>50</sup>

In an innovative approach to research and development, Grupo Éxito, the largest South American retailer, regularly engages with its smallholder producers through regular round tables to better

*“We design financial products for specific real-world needs rather than offering a set range of products to multiple populations. At Mastercard, we recognize that good product development is not an end in itself—but rather, just the start to true financial inclusion. Successful deployment and increasing uptake matter just as much. We know that cultures and infrastructures differ; what works in Kenya may not in Bangladesh. That is why working with a trusted partner who knows electronic payments around the world is key to successfully moving the financial inclusion needle forward.”*

**Mastercard Report:** *The Next Frontier in Financial Inclusion: Moving Beyond Access to Usage*<sup>49</sup>

understand their needs and potential, and feedback is then integrated into its business approach. These meetings have the dual function of acting as a marketplace, cutting out the need for a middleman, while reducing costs for the company and increasing earnings for the farmers.

Since these rural commercial round tables were initiated in 2018, Grupo Éxito has worked to refine them to increase the value for both beneficiaries and the company. The initiative has generated several positive spill overs: reduced logistics costs, more consistent income for farmers, and increased understanding of farmer’s needs and interests. Because round tables gather together all local farmers and are implemented regularly, Grupo Éxito uses this opportunity to purchase all needed goods in the same place, thus reducing logistics costs for the farmers and transportation costs for Grupo Éxito. **Read Grupo Éxito’s case study to find out more**

Sanofi has been recognised as a top performer in R&D by the [Access to Medicine Index](#), an index ranking 20 of the world's largest pharmaceutical companies based on seven areas of behaviour linked to access (strategy, governance, R&D, pricing, licensing, capacity building and donations). Sanofi has publicly committed to R&D for diseases and

countries in scope, and its R&D strategy for low- and middle-income countries is informed by an evidence-based public health rationale based on public health targets. Further, it has time-bound strategies for completing R&D projects for diseases in scope and evaluates progress toward these targets.

## How to improve your R&D practices

<p><b>Tactics</b></p>	<p><b>1. Get familiar with the IB context to provide tailored products and services</b></p> <p>Invest in understanding the IB's external environment, gathering local knowledge and mapping concerns and needs of targeted populations.</p> <p>Continuously collect and analyse feedback from the field and refine products and IB model accordingly.</p> <p><b>2. Increase shared value with co-creation</b></p> <p>Acknowledge the value of local knowledge and include BoP in innovation and co-creation processes.</p>
<p><b>Considerations</b></p>	<p>Dedicate time to ensure genuine inclusion of BoP; don't settle for only researching the local conditions, but instead learn from people.</p> <p>Don't assume you know the context of your IB; e.g. when scaling from location to another, do your research and don't assume contexts to be similar.</p> <p>Be aware of power relations: truly involving targeted populations in processes requires that you are ready to surrender part of decision-making power to them.</p>
<p><b>Case Studies</b></p>	<p><b>Grupo Éxito</b></p>
<p><b>Additional Resources</b></p>	<p><a href="#">The Inclusive Business Scan</a> by Rikolto - A practical tool for collecting real-time feedback from smallholder supply chains to further develop the inclusive business model.</p> <p><a href="#">Open Innovation - What It Is and How to Do It</a> by Atte Isomäki, Viima - A comprehensive and practical article introducing principles and different methods of open innovation (2018).</p> <p><a href="#">Open Innovation Toolkit</a> by Mozilla - Set of best practices and tools for integrating the approach of human centred design into product development processes.</p> <p><a href="#">The Field Guide to Human-Centered Design</a> by IDEO.org - A guide providing illustrative examples and methods to better understand the targeted group in the design process and end up with more creative solution.</p> <p><a href="#">BoP Insights</a> by Wendy van der Klein, Helene Mancheron, Sigrid Wertheim-Heck &amp; Laurens Collée and <a href="#">BoP Innovation Cycle</a> by Nicolas Chevrollier &amp; Alexandra de Vogel, BoP Innovation Center - Publications presenting principles of inclusive market research and the iterative process of developing inclusive products and services (2013).</p> <p><a href="#">Co-creation navigator</a> by Waag - An interactive tool introducing Waag's co-creation methodology to facilitate co-creation in the developing processes of new services and products.</p> <p><a href="#">Responsible innovation Compass</a> by the European Union funded project COMPASS - A self-check tool for companies to determine to what extent their practices already align with responsible innovation principles.</p>

# 4.2 Adoption of Innovative Technology

*“It is digitalization that could make the biggest long-term difference by harnessing the power of new business models driven by technologies including mobile connectivity, artificial intelligence, big data, blockchain, and the Internet of Things. That immense potential, however, is not guaranteed. Ultimately, the impact of digitalization on sustainable development will depend on whether the advent of more and cheaper data, together with faster analytics, results in financing decisions that take greater account of today’s social and environmental costs.”*

**Maria Ramos**, Absa Group Limited CEO and **Achim Steiner**, UNDP Administrator. *Project Syndicate, 2018.*<sup>51</sup>

IB Management Practice	Novice	Practitioner	Expert
<b>Adoption of Innovative Technology</b> Identify and integrate innovative technologies and management techniques into IB processes.	Company does not leverage innovative technologies and management techniques into IB processes.	Company integrates some technologies into IB processes but does not tailor the use and management techniques into IB processes.	Company invests in innovative technologies for the IB models and adapts management techniques. Technology benefits both development and commercial objectives.
<b>Related IB Barrier</b>	Radical Change to Routines		

### Want to improve profit margins? Invest in digital technology

Many companies have integrated innovative technologies such as artificial intelligence (AI), Internet of Things (IoT) technologies and big data analytics throughout their value chain to improve operational systems of the company to enhance the quality of products and services. Some have created totally new business models around them. Technologies offer opportunities to generate value through collection

of operational data with low human intervention, enhanced connectivity through communication networks and transforming the data into knowledge and actionable directives. They can be also used to make internal processes such as administration, finance or talent management more efficient.<sup>52</sup> Those companies which have taken the lead in digital technologies are improving their profit margins three times more rapidly than average and are more productive and innovative than less-digitized companies.<sup>53</sup>

Getting into BoP markets presents challenges which require a fresh perspective to solve. As such, there is a lot of innovation around business models, the kind of products that these consumers will purchase, and how companies structure partnerships and drive awareness and behaviour change.

In addition to increased business opportunities, these technologies can also be harnessed to drive sustainable development. Studies have so far concentrated mostly on contributions to environmental and economic sustainability, but interest in social innovation has increased recently.<sup>54</sup> Social innovations address underlying factors of social challenges with outcomes of increased social and shareholder value. A recent McKinsey study concluded that AI has the potential to contribute positively to achieving the SDGs if it is developed considering the wider social context and by engaging stakeholders. For instance, to improve economic empowerment, AI can be used to detect plant damage using low altitude sensors, such as smartphones and drones, to improve yields for small farms. In healthcare, it could help to make a visual diagnosis of cancerous skin lesions.<sup>55</sup>

### **Which companies are leading the way?**

Inclusive business models can themselves be considered as an important form of social innovation and they can also benefit from innovative technologies in their operations. Digital technologies can make reaching BoP populations easier and improve data collection and analysis. Medtronic has successfully used technology to deliver adequate services to remote communities. To address a lack of accessible and adequate ear care options in low-income, densely populated urban areas in India, the company developed an android-based ear screening kit, ENTerview, which enables delivering care to patient communities. Local healthcare workers gather patient information and use the built-in algorithm to make a simple diagnosis at the patient's door while physicians can monitor and review them remote. [Read Medtronic's case study to find out more](#)

Partex Agro, the Bangladeshi agricultural-input company, emphasizes the importance of actively engaging with and listening to farmers, placing their needs at the core of the innovation processes. Previously, agricultural input companies did not typically engage low income farmers to understand their needs; companies would sell to dealers, who would on-sell without considering the individual needs and income of the farmers. For Partex Agro, innovation is a continuous process. The needs of the farmers change over time, which makes continuous innovation crucial to successfully sustaining an inclusive business. Without continuous innovation, it would be impossible to overcome constraints and vulnerabilities that farmers and other stakeholders face regularly in the agricultural sector in Bangladesh.

According to Mostafizur Rahman, the most important gain for Partex Agro has been increased access to new markets.

"Increased access to new markets have been our major gain as we have been able to serve more farmer families and ensure increased crop resilience, efficiency and productivity with our continuous innovation for sustainable business growth," he said.

[Read Partex Agro's case study to find out more](#)

One important thing to consider is that access to the product doesn't always translate to usage. Mastercard acknowledges that having a well-designed product and delivering them to society is not enough to maximise impact and create value. The company engages regularly with its target clientele to gain a better understanding of their needs and supports them with education and trainings to increase their understanding of the benefits from using their new products, explain its features and describe how to use it properly. This is an important step to drive wider product usage and create potential for successful scaling of the inclusive business.<sup>56</sup>

Despite these good examples of harnessing technology for inclusive business, our research



showed that although innovations are considered important among MNCs in general, this mindset doesn't always reach inclusive business initiatives. Some inclusive businesses we interviewed have successfully taken advantage of technologies, but especially in the case of technology uptake, it seems that inclusive businesses are usually not placed at the core of the process.

Even though new technologies and innovations can contribute positively to society, without considering social context and wider impacts to society, there are risks that technologies such as AI could potentially deepen inequality or compromise safety and security of people. Companies must be aware of the risks and consider them while introducing new innovations to societies.

## How to effectively adopt innovative technologies

<p><b>Tactics</b></p>	<p><b>1. Get familiar with the IB context to provide tailored products and services</b></p> <p>Invest in understanding the IB's external environment, gathering local knowledge and mapping concerns and needs of targeted populations.</p> <p>Continuously collect and analyse feedback from the field and refine products and IB model accordingly.</p> <p><b>2. Increase shared value with co-creation</b></p> <p>Acknowledge the value of local knowledge and include BoP in innovation and co-creation processes.</p>
<p><b>Considerations</b></p>	<p>Dedicate time to ensure genuine inclusion of BoP; don't settle for only researching the local conditions, but instead learn from people.</p> <p>Don't assume you know the context of your IB; e.g. when scaling from location to another, do your research and don't assume contexts to be similar.</p> <p>Be aware of power relations: truly involving targeted populations in processes requires that you are ready to surrender part of decision-making power to them.</p>
<p><b>Case Studies</b></p>	<p><b>Medtronic, Partex Agro</b></p>
<p><b>Additional Resources</b></p>	<p><u>Tech for Good: Smoothing disruption, improving well-being</u> by Jacques Bughin, Eric Hazan, Tera Allas, Klemens Hjartr, James Manyika, Pal Erik Sjatil, Irina Shigina, McKinsey Global Institute - A discussion paper addressing the positive and negative effects technology can have on business and society (2019).</p> <p><u>50 Breakthroughs: Critical scientific and technological advances needed for sustainable global development</u> by Buluswar, Friedman, Mehta, Mitra and Sathre, LIGTT - A report identifying opportunities, provoking conversation and inspiring action around technology-for-development (2014).</p> <p><u>AI, robotics, and automation: Put humans in the loop</u> by Deloitte - An article providing insights and practical advice on how companies can leverage technology to transform business and create meaningful work for employees and value for customers (2018).</p> <p><u>The Use of IT Solutions in Inclusive Value Chains</u> by Alice Schmidt, Isabel von Blomberg, Corentin Larue, Claire de Lassus, Endeava &amp; Fundes - A research paper that provides an overview of IT solutions that support MSMEs in becoming more effective, efficient and reliable in the context of global value chains (2019).</p>



PART THREE

# Four Drivers of Change in Inclusive Business Management Practices

Emerging trends, such as the exponential growth of technological innovations, demographic shifts and increased demand for accountability in terms of a company's actions from an environmental, social and governmental (ESG) perspective, are having a significant impact on company practices. Our research revealed that in addition to corporate management practices, these trends should also be considered when managing inclusive businesses, as they have the potential to provide new opportunities, pose new risks and have cross-cutting effects on management practices.

### Drivers of Change

We identified four drivers of change influencing inclusive business management practices:



TREND 1  
Technology,  
Communication  
and Connectivity



TREND 2  
Women's  
Empowerment



Trend 3  
Esg Risks And  
Longer-Term View



TREND 4  
Demographic Shift  
and Automation

**TREND 1****Transformative Technology,  
Communication and Connectivity****Reach****Engagement****Participation**

**Propels** the possibilities for IB impact and scale by lowering costs and improving the reach to the most underserved.

**Increases** transparency and stakeholder expectations, influencing how stakeholders are involved in the design, implementation and evaluation of IB.

**Increases** companies' capacity to collect and analyse data and understand their impact.

**Enhances** collaboration with local organizations.

Mobile devices and internet access, as well as emerging technologies such as artificial intelligence, internet of things and blockchain, have created new opportunities for business. Technologies have allowed companies to develop more efficient business operations, access critical information and reach consumers in distant or remote places at lower cost. For instance, mobile technologies already enable effective and easy data collection and it is expected that blockchain will push this further by opening new opportunities for data collection, analysis and verification.<sup>57</sup>

These gains come with the caveat that if not used responsibly, technology could potentially lead to increased inequality and exclusion. Companies should bear the onus of ensuring that technology is used responsibly and does not exclude those who cannot access it. In terms of transparency, technology has increased consumers' and stakeholders' access to information, allowing them to hold companies accountable and demand more transparency in their actions. Technology has fuelled the trend of "conscious capitalism",<sup>58</sup> indicating increased awareness around gender and ESG factors, which are recognized as trends below. On the flip side, better access to data increases the risk of personal or sensitive information being used without the owner's consent, and companies should ensure that such risk is addressed.

**TREND 2**

# Increased Awareness around Women's Empowerment

**Resilience****Productivity****Innovation**

**Leads** to women's inclusion in core business decisions, operations and R&D which drives top-line revenue, productivity and innovation that, in turn, improve short- and long-term financial performance.

**Helps** ensure stable and efficient supply chains and enables business to reach new consumer segments.

**Helps** companies to ensure affordability, accessibility and adequacy of its products and services.

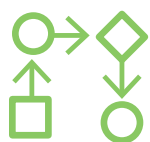
**Fosters** chances for radical innovation.

There is increasing recognition that gender parity is fundamental to whether and how economies and societies thrive. Ensuring the full development and appropriate deployment of half of the world's total talent pool has a vast bearing on the growth, competitiveness and future-readiness of economies and businesses worldwide. To remain competitive in today's market, companies must adapt their practices to be gender-sensitive, while actively seeking to improve gender equality and women's empowerment both in the workplace and along the value chain.

At the BoP, women and girls are at greater risk of falling into poverty, particularly when measured by factors such as having own source of income, ownership and control of assets and decision-making power in households.<sup>59</sup> By creating jobs for women or providing fair and reliable incomes, private sector can play a significant role in breaking cycles of poverty and economic dependence for BoP women. IBs have been successful in empowering women both directly and indirectly: including women in company operations throughout the supply chain, adopting gender-sensitive policies, and using their collective power to influence others in order to create environment that is more favourable for women. Raising awareness of gender issues or working to change regulations to support women's empowerment are examples of corporate advocacy practices that have taken root among companies that are implementing IBs well.<sup>60</sup>

## TREND 3

# Incorporating ESG risks and adopting a longer-term view



**Strategy**



**Sustainability**



**Resilience**

**Helps** companies increase long-term return and mitigate potential systemic risks.

**Contributes** to a more favourable uptake of IB and increases value of the social contribution of the business.

**Influences** the way companies assess their risk and opportunities, as well as the time horizons in which they evaluate their performance.

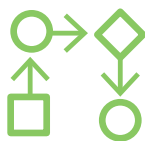
Mainstream businesses have started increasing their focus on ESG-related risks and opportunities. Research has demonstrated that incorporating ESG factors into business decision making processes can help firms increase long-term returns and mitigate potential systemic risks.<sup>61</sup> The increasing prevalence and severity of ESG-related risks, ranging from extreme weather events to product safety, calls for enhanced resilience from businesses around the world. On the demand side, consumer preferences have also shifted towards socially and environmentally responsible products, increasing expectations for companies to act responsibly.<sup>62</sup>

The quality of ESG information is getting better and the corporations are starting to see the business value in it. Since the Global Reporting Initiative (GRI) was established in 2000, corporations have increasingly communicated about ESG issues to their customers and investors.<sup>63</sup> The maturing market for ESG information is strengthened by new technologies and increased transparency. For example, machine learning and big data will increasingly allow for better interpretation of non-traditional financial information and offer easy ways to apply ESG data in addition to conventional financial information.<sup>64</sup>

Many investors now believe that when evaluating their investments, it is beneficial to take into account ESG factors while also taking a longer-term investment horizon to protect and enhance portfolio returns, especially over the longer term. They recognize that ESG information about corporations is vital to understanding corporate purpose, strategy and management quality.<sup>65</sup> Today, ESG investing is estimated at over US \$20 trillion in assets under management or around a quarter of all professionally managed assets around the world.<sup>66</sup>

## TREND 4

## Demographic Shift and Automation



## Strategy



## Impact



## Disruption

**Shaping** the future of business and bringing complex changes for IB.

**Poses** risks to the labour market and opportunities in developing countries.

**Calls** for a reboot of companies' management practices today in order to help mitigate the risks associated with these changes and seize opportunities at the BoP.

**Requires** a coordinated and collaborative approach where companies can play a critical role in the global effort to redefine the future of good jobs and build an economy that works for all.

While the effects of an ageing and declining population are already visible in advanced economies, in developing countries demographic growth is still continuing. The United Nations estimates that in Africa the under-25 generation represents 60 percent of the population. As population growth potentially boosts the supply of low-skilled workers at the BoP and automation squeezes labour demand, this new generation of workers will advance only if they can acquire the right skills.

A recent McKinsey report indicates that by 2030 automation could replace up to 30 percent of the hours worked globally.<sup>67</sup> Technological advancement could further polarize the labour market into very low-skilled and high-skilled workers, leading to growing inequality and undermining inclusive growth. For today's business leader, automation poses a practical challenge: they must learn how to take advantage of the productivity and innovation opportunities presented, while ensuring a smooth workforce transition. To address automation in a way that will continue bringing value to IB, companies should engage across the four dimensions of management practices.

A recent [LinkedIn survey](#) of 4,000 professionals ranked 'training for soft skills' the first priority for talent development. In the age of automation, maintaining technical fluency across roles will be critical, but the pace of change is fuelling demand for adaptable, critical thinkers, communicators, and leaders.

The rollout of automation will affect different industries, occupations, and communities at different points in time. Early notice is critical, so that workers and governments have time to plan for the transition, reskill and train for new occupations, and minimize time spent in unemployment. The European Centre for the Development of Vocational Training has started an early warning system that forecasts needed skills and workforce changes. By contributing their projected future needs to these systems, companies can help current workers and students plan for the skills that will be in demand in a specific geographic area.<sup>68</sup> Such analysis and tools do not exist for yet for developing countries but would represent a great investment.

Finally, business leaders should use their collective voice to encourage governments to adopt policy frameworks that support workers in the transition to automation. They can commit to partnerships with local educational systems, as well as open-source and online education, to prepare new generations of workers and upskill their incumbent workforce through onsite training and use of micro-credential programmes.

# Overview and Methodology

In a world of increasing inequality, business leadership in building an inclusive economy has never been more important than today. Inclusive business has the potential to deliver solutions to the SDGs and make long-term and scalable improvements to the lives of those that have often been left behind – those living at the (BoP).<sup>69</sup>

However, many companies struggle to grow and replicate their inclusive business initiatives. To achieve this, companies not only need to have the right products, services and business model, but also the appropriate management practices to drive business productivity and performance. This report offers a typology of management practices found by large corporations as critical to the growth and success of inclusive business, aimed at increasing IB impact and contribution to the SDGs, profitability, operational efficiency and long-term viability.

## Key Definitions

We define **inclusive business management practices** as methods, processes, techniques used by managers to effectively achieve their inclusive business objectives; making optimal use of resources; adequately responding to the risks and opportunities of the BoP market. Management practices affect the day-to-day and long-term performance of a business.<sup>70</sup>

We define **inclusive businesses** as commercially viable business ventures that engage people living at the BoP – people with less than USD 10 per capita per day in purchasing power parity (2015) – as consumers, producers, suppliers, distributors of goods and

services, and employees. Inclusive business models expand access to goods, services, and livelihood opportunities for low-income communities. They may involve low-income populations anywhere along a company's value chain, including supply, production, distribution and marketing of goods and services. This generates new jobs, raises incomes, imparts technical skills and strengthens local capacity. Poor consumers can benefit from products and services that meet their needs in affordable ways. The emphasis is on core business rather than on philanthropy. Developing inclusive business models is a complement, not a substitute, for responsible business practices.<sup>71</sup>

Finally, we identify a **Multinational Corporation (MNC)** as an enterprise which owns or controls production or service facilities outside the country in which it is based. The two main features of MNCs are their large size and the fact that their global activities are centrally controlled by a parent company. MNCs may profit from an international presence through benefitting from the economy of scale by spreading research and development (R&D) expenditure and advertising costs over their global sales, pooling global purchasing power over suppliers and utilising technological and managerial know-how globally with lower additional costs.<sup>72</sup>



**Methodology**

BCtA has engaged with companies across sizes, sectors and regions for over 10 years. This report draws upon our team’s experience working with over 240 member companies, as well as insights from different sources including:



**Literature review**

A desk-based review of management practices, sustainability practices and inclusive business barriers and strategies for growth and scalability.



**Interviews with companies**

24 in-depth interviews with company representatives leading inclusive business initiatives in various countries.



**Survey**

Results from the 2018 Survey on the State of Inclusive Business by BCtA and GlobeScan, engaging 193 respondents across region, of which 91 were companies implementing IB.



**Early findings**

From an unpublished report on IB Management Practices by Endevo, commissioned by BCtA, which engaged 12 small and large companies.

Our research focused on cross-cutting, non-sectoral management practices, given the need to rely on a large enough sample to validate our hypothesis and our interest to provide insights and support to the wider community of inclusive business. This research could be complemented by a sectoral analysis that can yield insights on the management practices contingent to

specific business models. On a methodological level, our focus on studying 25 companies allowed access to the internal, micro-level structures and mechanisms, but expanding our research by a larger set of cases showing how different companies develop and tailor management practices could help to yield more generalizable insights.



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## ANNEX

# Case Studies

Categories	Inclusive Business Management Practices	
<b>Governance and Management</b>	Aligned Leadership and Accountability	Essilor
	Risk Management	Sanofi East-West Seed
	Stakeholder Engagement and Collaboration	L'OCCITANE CEMEX Mastercard
	Corporate Advocacy	ACT Supracafé
<b>Performance</b>	Performance Management	Mahindra
	Target Setting	Pinar Muji
<b>Talent Management</b>	Talent Recruitment And Management	DBL Group Gap Inc
	Employee Well-Being	Crepes & Waffles
<b>Operations Management</b>	R&D Practices	Grupo Éxito
	Adoption of Innovative Technology	Partex Agro Medtronic



**ESSILOR**

SEEING THE WORLD BETTER

Sector  
**Health**

Priority SDGs



Headquarter  
**France**

Area of impact  
**Access to  
healthcare and  
healthcare services**

## Essilor Aligned Leadership and Accountability

**Essilor is the world leader in corrective lenses.** The BCtA member company's inclusive business model was established in 2013 and has committed to improve health outcomes, productivity and wellbeing for more than 50 million low-income people through access to screening for uncorrected refractive error, eye exams and spectacles, and train and employ 25,000 primary eye care workers in underserved regions by 2020.

Poor vision is the world's largest unaddressed disability: of the 2.5 billion people with uncorrected poor vision, 95 percent are in developing countries. Poor vision affects academic and job performance, jeopardizes road safety and increases the risk of injuries, in particular among elderly people. Recognising this as a significant market opportunity and social responsibility, Essilor developed new products that are both affordable and accessible for the BoP. They consult with local organizations to enable them to continue to support local needs as they evolve. Key to their strategy is an understanding of price points, the ability to innovate and create affordable products so BoP consumers can access the quality eyecare they need.

**Essilor** is leading the way when it comes to aligning inclusive business across its operational and programmatic activities. Not only is it fully supported as a core part of the company's mission, *improving lives by improving sight*, by its Board of Directors and senior management, but the company is also structured in such a way that it is integrated across all departments, from innovation to implementation. In the words of Essilor's Chief Mission Officer Jayanth Bhuvanaraghan: "We don't see inclusive business as 'something nice' to do; it is stated in our mission and is part of our strategy. The ambition to address this market comes from the top".

In 2013 the company founded its BoP Innovation Lab and an inclusive business called 2.5 New Vision Generation to better reach the low-income market.

"We are very clear about our motivations for pursuing BoP markets: it is both the responsibility we have as the market leader and a big business opportunity. We see these two motivations working in harmony and it is our belief that business can act as a force for good," says Anurag Hans, who leads the Base of Pyramid (BoP) Innovation & Market Acceleration team at Essilor.<sup>73</sup>

The BoP Innovation Lab develops new inclusive business models and acts as an incubator to test new approaches in partnership with NGOs, foundations or development funds, while 2.5 NGV is responsible for implementing and scaling up initiatives that reach BoP consumers. Among its innovations are several new business models that train local individuals to become primary vision care entrepreneurs, and a range of attractive 'ready-to-clip' eyeglasses, which allow customers to be equipped on the spot rather than waiting several days or weeks for their eyeglasses.

To more systematically align its leadership around inclusive business, Essilor created a Chief Mission Officer (CMO) position within its Management Committee. The committee is responsible for strategic direction, monitoring business activity and interconnections between different businesses. Reporting to the Chairman, the CMO is in charge of coordinating, supporting and fostering all initiatives that contribute to achieving Essilor's inclusive business targets. Initiatives under this umbrella include: inclusive business, philanthropy, advocacy and awareness.

Not only are the Board of Directors and senior management engaged with IB, but Essilor also encourages all employees – not just those working directly on IB – to actively engage with inclusive business. The company allocates 10 percent of managers' bonuses based on activities that promote the company's mission. This helps foster closer collaboration across different business units within the company as it challenges the "business as usual" mindset.

For instance, this collaboration shows how Essilor's CSR committee cooperates with the company's Sustainable Development department. Essilor was the first company on France's stock

market index, CAC 40 (Cotation Assistée en Continu) to introduce a CSR Committee. Its main role is to ensure Essilor is effectively addressing the economic and societal challenges associated with their mission. It oversees the company's sustainability and inclusive business strategies and submits opinions and proposals to the Board of Directors for decision making. The Sustainable Development department coordinates the deployment of Essilor's sustainable development roadmap, reports best practices and discusses cross-functional issues, such as human rights, non-financial reporting and climate change.

Essilor further encourages its employees to work towards its inclusive business goals by creating incentive schemes that go beyond traditional financial performance.

"While of course financial performance is important for the sustainability and expansion of inclusive business programmes, the focus on societal benefit is equally important and must be factored into incentive schemes. For Essilor that's about sustainable access to vision care for millions of people," explains Jayanth Bhuvanaraghan.

From that point of departure, Essilor uses a matrix of success in which the key performance indicator (KPI) is based on the number of people wearing their spectacles. The indicator is followed yearly and there is also a longer-term goal set to the year of 2050.

Essilor also fosters employee ownership, which is another dimension of Essilor's unique model of corporate governance and has been essential for its success. For over 40 years, Valoptec, Essilor's association of employee shareholders, has allowed employees to be actively involved in the company's decision-making process. Through Valoptec's presence on the Essilor Board, and continuous dialogue with the company's senior managers, a diverse international base of employee shareholders today actively participates in Essilor's corporate life. This brings new perspectives that enrich Essilor's decision making within the Board of Directors – itself very diverse in terms of background and expertise – and the Board's four Committees.<sup>74</sup>

Essilor has managed to integrate its core values and principles of inclusive business across the organization, which shows in its success. Inclusive business is not a separate function, but instead part of the company's mission. Benefits of this practice of alignment include access to new markets and consumers through innovation in products and service delivery, strengthened commercial relations and partnerships with both the private and public sector and strong employee engagement to retain and attract the best talent. The company believes that their shared values and principles drive the way towards fulfilling the mission and unite and strengthen them.<sup>75</sup> Keeping IB at the core of their mission is driving Essilor's long term growth and delivering social good, thus benefiting both the company and beneficiaries.



Sector  
**Health**

Priority SDGs



Headquarters  
**France**

Area of impact  
**Access to  
healthcare and  
healthcare services**

## Sanofi

### Risk management

**French multinational pharmaceutical company Sanofi is the world leading provider of diabetes treatment and related services.** Through its inclusive business initiative, Sanofi provides generic medicines and branded therapies, as well as diabetes-related services for patients served by Colombia's subsidized national healthcare programme.

Diabetes is a global health challenge affecting 425 million people worldwide. Low and middle income countries carry almost 80 percent of the diabetes burden. When not properly treated, diabetes can lead to complications including, but not limited to, death from major cardiovascular events, amputation and retinal blindness, which can have enormous costs in terms of loss of productivity and income for both the person suffering the disease and their families. Yet complications from diabetes can be reduced by improving blood glucose levels through increased physical activity and a proper diet as well as with timely treatment with oral antidiabetic drugs and/or insulin therapy.

Over the past decade, Sanofi has redefined itself as a healthcare company that promotes customer wellbeing. The multinational established its Colombia-based inclusive business in 2016, which uses a patient-centric healthcare model designed to address local barriers to diabetes care for underserved populations that have barriers to access to services and/or products.

The Colombian National Law 100 was passed in 1993, which established a healthcare system that mainly consists of two parallel plans: a Contributory Health Plan for formal employees and citizens who can afford it, and a Subsidized Health Plan for those who cannot, determined by the socio-economic stratum of each person or family. Upon classification, families whose score classifies them as vulnerable or living in poverty become affiliated with a Subsidized Plan Administrator. According to the Ministry of Health and Social Protection, in 2015, 48 percent of the Colombian population (approximately 22.5 million people) were under the subsidized programme.

In Colombia, more than one million people have been diagnosed with diabetes, yet there is a very high proportion of undiagnosed diabetics within the subsidized national healthcare programme. Many live at the base of the economic pyramid (BoP). Among those already diagnosed, including insulin-requiring diabetics, there is a high percentage of undertreated or inadequately treated patients, leading to elevated rates of avoidable complications. Similarly, the percentage of patients on insulin therapy within the subsidized national healthcare programme is lower than the national average, meaning there are worse health outcomes among patients within this regime as it suggests some are not receiving the treatment they need.

**Sanofi** is now the largest healthcare company in Colombia producing and commercializing original and generic lines. Since establishing its inclusive business, it has gone from simply selling products to providing integrated care solutions with high social impact. Sanofi sees high potential, both in terms of health outcomes and in healthcare costs, in scaling up its inclusive and integrated diabetes care model.

Sanofi realised that the best way to address the BoP market was through Health Maintenance Organisations (HMOs), and adapted their promotional practices accordingly. This model shifts from the more traditional approach of independent medical practices prescribing brands to patients, to a new approach where HMO and generic medical staff, including administrative doctors, prescribe and track medication and diabetes care related services to diabetes patients. Although they do not typically treat patients or prescribe drugs, administrative doctors contribute to decisions affecting the consumption of pharmaceutical products.

Through HMOs, Sanofi has reached and tracked 450,000 people living at the BoP to assess their risk of having diabetes, providing at least 90 percent of diabetic patients already using Sanofi's insulin therapy with access to Sanofi's patient support programme.

To manage risk of Diabetes patients within HMOs Sanofi support through external suppliers an artificial intelligence tool to trace both internal and external data from HMOs. By converting data into actionable information, the HMO is able to identify, assess and monitor patients at risk of developing diabetes in a timely manner, which leads to better health and financial outcomes while improving quality of life.

The choice to provide this value-added service to HMOs required the buy-in of Sanofi's senior management. In their efforts to develop and monitor more inclusive lines, senior management committed to provide affordable and effective products and services that are developed, manufactured, distributed and marketed in compliance with the company's overall regulatory requirements.

Sanofi acknowledged that these new processes came with new potential risks that had to be considered. After carefully assessing their service partnerships management practices, Sanofi adapted them to include recommendations aimed at mitigating possible bias derived from this inclusive business model approach.

Sanofi also updated its standardized company-wide reputational management practices to address the promotion and use of medications and management of relations with various stakeholders for its inclusive business products, including medical brand prescribers, government and public officials in Colombia.

Their support to HMOs has brought concrete gains for Sanofi's business. By proactively supporting diabetes care management Sanofi has increased its reputation as a healthcare leader, which has enabled it to build trust with new stakeholders, access new channels in the subsidized regime and reach more customers. Also, by supporting HMOs to better monitor diabetes risk within the population, and diabetes care within already diagnosed patients, Sanofi's diabetes risk management services have also helped improve Colombia's health system sustainability.



Sector  
**Agriculture, Food  
 & Beverage**

Priority SDGs



Headquarters  
**Thailand**

Area of impact  
**Agricultural  
 development and  
 food security**

## East-West Seed Risk management

**East-West Seed was established in the Philippines in 1982 in response to a need for seeds adapted to local conditions in Asia.** It scaled up in Thailand, Indonesia and Vietnam, and now distributes seeds in 53 countries worldwide. East-West Seed Indonesia (EWINDO) is a BCtA member with a commitment to integrate 17,775 seed growers into its value chain and transfer technical knowledge to 125,000 smallholder vegetable farmers by 2020.

Social responsibility is the driving force behind East-West Seed's mission of providing innovative products and services to farmers to help increase their income and promote the growth of the vegetable farming industry.

As a testament to its success, East-West Seed led the 2019 Access to Seeds Global Index for vegetable seed companies, and ranked first and third in the 2019 Regional Index for South and Southeast Asia and Eastern Africa respectively. Its main clientele in South and Southeast Asia are smallholder farmers, to whom it sells a wide variety of hybrid and open-pollinated seed varieties. Now headquartered in Thailand, East-West Seed has about 5,000 employees.



BCtA member **East-West Seed Indonesia** (EWINDO) develops seeds of hearty, sought-after vegetable varieties and works closely with smallholder seed producers across Indonesia to support their production, providing growers with knowledge and production technologies appropriate to their geographic areas.

Approximately 2.29 million people work in the horticulture sector alone, yet most of Indonesia's farmers are smallholders who lack both technical knowledge and access to seed varieties sought after in the Asian market. Without adequate good quality seeds and knowledge transfer about how and when to plant (Good Agriculture Planning), smallholder farmers cannot participate in this lucrative market and remain trapped in a cycle of poverty.

EWINDO's primary goal is to advance the local seed sector and ensure supply of quality seeds. Since 95 percent<sup>76</sup> of the company's seeds are produced by smallholder farmers, vulnerabilities that dramatically affect crop production create the most significant risks for the company. In Indonesia, farmers cultivate their products in areas prone to natural disasters. Farmers rarely have protected producing facilities, which makes their crops particularly vulnerable. In addition, characteristics of farming lands and farming practices vary across different regions of the country, which poses challenges in addressing different needs of the farmers. On the main islands farmers often use sophisticated technologies and are familiar with the value of high-quality seeds, while farmers in more remote areas lack access to basic technologies and information.

In order to address these issues, the company has established proactive, robust risk management practices that help to mitigate the risk of a) decreased productivity and lost profits for the company, b) lost income for the farmers, and c) decreased supply of vegetables in the community. EWINDO's integrated risk management approach includes preventive, reactive and curative actions. It spreads across different layers of the organization, from the strategic level to implementation in the field.

EWINDO's strategy builds on the Risk-Based Thinking (RBT) approach. Rather than seeing risk management as a separate function, it is considered an integrated and ongoing process that increases value across an organization. It takes a proactive rather than reactive approach in preventing or reducing undesired effects through early identification and action. EWINDO assesses the risks in each business process - identified from around 30 departments within the company - that could affect the company's goal to produce high quality seeds. It has identified over 100 risks based both on past experience and future predictions. The five steps EWINDO is taking to manage those risks are: risk identification, risk analysis, risk classification, risk control and risk control monitoring.

EWINDO's Crisis Management Plan (CMP) addresses these specific risks, most often caused by natural disasters, civil disturbance and IT malfunction. It focuses on potential crises that may impact facilities, resources and employees that are directly linked to operational failure of the inclusive business. Their CMP is divided into three parts: a crisis management playbook, which is a guidance for employees and management to anticipate and handle any emergency situations that pose a significant threat to company's personnel, customers, facilities, assets, records, delivery of services or reputation; a crisis communication plan, which is a guide for communication with key stakeholders such as media in the case of company-related crisis; and an emergency notification system, which determines whether emergency messages should be sent for employees to help prepare emergency actions.

In addition to mitigating risks for productivity, risk management also adds value to the company.

"All of the risk management practices definitely help us in reaching our company's goals," Firmansyah Sachroni, corporate secretary officer of EWINDO confirms.

He explains that risk management practices bring concrete gains for EWINDO's inclusive business in terms of efficiency, productivity, resilience and accessing new markets. The CMP helps EWINDO map risks or potential crises that might occur in the future. By identifying, analysing, and taking specific risk-based actions, EWINDO can prevent and decrease the losses in time, cost, and resource allocation. The CMP ensures EWINDO is prepared in case of sudden crisis or emergency. Without proper risk management, risk response would be slower, which would mean greater losses for the company. The CMP also helps EWINDO to make better investments in short, medium, and even long term.

One added benefit is that risk management also helps EWINDO to access new markets and develop their products. By mapping key risks in each area of operation and taking the above outlined steps to mitigate them, EWINDO can use that knowledge to identify crops that would flourish in each area and develop new varieties of seeds based on specific needs.

"If farmers in certain area have low profits because their land is always experiencing drought condition, EWINDO can help them by developing new variety of seed that is tolerant to drought condition," Firmansyah Sachroni explains.



**L'OCCITANE**  
EN PROVENCE

Sector  
**Consumer Goods**

Priority SDGs



Headquarters  
**Luxembourg**

Area of impact  
**Agricultural  
development and  
food security**

## **L'OCCITANE** Stakeholder Engagement

**L'OCCITANE products range from skincare to home fragrances, and all are manufactured using natural ingredients, primarily from Provence.**

The company was founded in 1976, and today has a significant worldwide presence, with 2,452 boutiques in nearly 90 countries.

The company's inclusive business initiative RESIST (Resiliency, Ecology, Strengthening, Independence, Structuring, Training) supports shea butter production organizations which represent 10,000 women in West Africa, ensuring: secure and sustainable access to shea trees; production that improves women's working conditions, shea butter quality and environmental impacts; and the diversification of women's incomes via the development of new activities.

Stakeholder engagement plays a crucial role in driving the success of L'OCCITANE's inclusive business. Its business is dependent on external stakeholders, from smallholder farmers providing raw materials to processors, suppliers and consumers. It also has a range of indirect external stakeholders: technical partners, financial partners, local and national political authorities, international institutions, NGOs, service providers. And finally, its internal stakeholders include its staff, from service staff to senior management.

As such, L'OCCITANE seeks to actively engage its stakeholders along its entire value chain – an approach specific to inclusive business – to encourage them to commit to the principles of the company.

L'OCCITANE has aligned all the practices in its value chain with inclusive business principles. For instance, under its commitment to include smallholder producers, its Biodiversity and Sustainable Ingredients department manage 49 direct supply chains which represents 128 ingredients, more than 350 producers and more than 10,000 pickers. This team, which is linked to the supply, purchasing, marketing, communication and quality departments, allows the company to see the opportunities and constraints of the company itself and of the producer's raw material production line.

The service works with different actors along its production chain to establish consensus on quantities of raw materials, delivery deadlines, fair prices, and environmentally friendly production processes. This helps to empower these partners while ensuring consistent quality. Additionally, under L'OCCITANE's responsible purchasing strategy, all suppliers are required to sign L'OCCITANE's CSR Policy, which integrates them into L'OCCITANE's CSR approach.

For its internal stakeholders, the company builds an inclusive business culture by guiding the company's internal and external relations in a way that supports inclusive business. L'OCCITANE's inclusive business commitments are created by its General Management team and placed at the core of its corporate strategy.

"There is a real transversal involvement of all L'OCCITANE's teams to achieve its inclusive business commitments, rather than being left to Corporate Social Responsibility (CSR) or philanthropic teams," Justine Humbert, Biodiversity and Africa Area Sustainable Ingredients Specialist explains.

At the core of the company's business model is valuing the communities where it sources its shea butter – one of the key ingredients of its products. Therefore, building strong partnerships with its producers is central to L'OCCITANE's stakeholder engagement approach. It has partnered with shea butter-producing women's associations in Burkina Faso since the 1980s – what started with a few kilogrammes has now grown to several hundreds of tonnes annually. L'OCCITANE now buys directly from five cooperatives, which in total have more than 10,000 women producers.

The company's engagement with its producers is based on four key components that address the needs of producing communities

while ensuring consistent quality standards for the company. First, L'OCCITANE directly purchases Fair For Life certified 100 percent shea butter. Second, it supports the traditional method of producing shea butter called *barratage*, thus helping to preserve local practices, while striving to improve the working conditions of employees and limiting negative environmental impacts from processing. Third, it issues multiannual contracts guaranteeing a minimum volume and price and a decent remuneration. Finally, it offers pre-financing of profits (up to 80 percent interest-free) for partner unions, accessible before the harvest and nine months before the receipt of the first deliveries to ensure cooperatives have the necessary cash to secure the raw material on the ground.

Cooperatives are also included in key decision making around issues that affect them, and thus have helped define and refine L'OCCITANE's engagement with them. For example, when developing revenue diversification activities, L'OCCITANE led focus groups with cooperatives to ensure they were suited to the local context. To complement this, L'OCCITANE also organizes trainings to build the skills of its producers on shea tree protection, parklands management, environmentally friendly processing, organic standards, market access, governance and financial skills.

To nurture this strong partnership, L'OCCITANE has a team of three local specialists working in Burkina Faso with its cooperatives, who are in charge of its inclusive business projects. Having a team in the field and adapting the services to the local context allows L'OCCITANE to secure the quality, quantity and traceability of its shea butter, and guarantee the social, economic and environmental sustainability of the partnership.

Understanding risks and developing strategies to mitigate them is also central to L'OCCITANE's stakeholder engagement approach. Recognising this, a L'OCCITANE study identified environmental degradation, weak cooperative governance, and the strong dependence on shea butter and L'OCCITANE contracts as a single source of income for its producers as key threats to the sustainability of the sector. To address these risks, it established its US\$ 2 million RESIST Program, which reaches 10,000 women as direct beneficiaries and is supported by donors such as USAID and SEQUA<sup>77</sup> and in partnership with the NGO NITIDAE and the Global Shea Alliance.

L'OCCITANE's company- and value chain-wide approach to stakeholder engagement brings many gains for the company, including increased resilience to market variability, secure prices and increased producer confidence and traceability. For example, in 2018, shea butter production was affected by bad climate conditions, and the price of nuts doubled. Thanks to L'OCCITANE's partnership agreements with local cooperatives, including multiannual contracts, pre-financing, pre-established prices and the mutual trust that the company has built over many years, their shea butter supply remained relatively stable during this time. In this instance, L'OCCITANE's long-term commitment benefitted the company, as their orders were prioritised over other clients who had not established long term relationships with suppliers.



# CEMEX

## Stakeholder Engagement and Collaboration

Sector  
**Manufacturing,  
Construction &  
Housing**

Priority SDGs



Headquarters  
**Mexico**

Area of impact  
**Access to housing**

**CEMEX is a global building materials company that provides high-quality products and reliable services.** It has a rich history of improving the well-being of those it serves through innovative building solutions, efficiency advancements, and efforts to promote a sustainable future. During the late 1990s, the company identified low-income urban and suburban areas as both a potential growth market and an opportunity to deliver social impact.

To pursue these opportunities, CEMEX created Patrimonio Hoy as an inclusive business in 1998, and since then has reached 2.9 million people in the Dominican Republic, Mexico, Colombia, Nicaragua and Costa Rica. Patrimonio Hoy enables those with low initial capital and income to afford high-quality materials and technical assistance. It was designed around the “self-building” approach employed in many low-income communities.

CEMEX’s other inclusive business, Construyo Contigo, operates in Mexico and Colombia, and provides low-income families with training, funding and technical assistance to construct homes. It is based on public-private partnerships with governments, non-profit organizations, universities and communities and to date has reached over 225,000 people. Through the programme CEMEX has built Productive Centers of Self Employment (PCS), where local families receive supportive training and materials to manufacture brick blocks to better construct their own housing.

Stakeholder engagement and partnerships are at the core of the success of **CEMEX**'s inclusive business initiatives and considered as key success factors in multiplying their positive impact on society.<sup>78</sup> Engagement is a key performance indicator (KPI), alongside revenue, growth and profitability, used by CEMEX to measure the success of their inclusive business initiatives.

"Developing partnerships is crucial. From the design of our inclusive business models, we have actively sought to establish partnerships, which has allowed our initiatives to be successful," says Mario E. Gonzalez, Corporate Leader on Shared Value and Innovation, CEMEX.

The investment CEMEX makes in stakeholder engagement in its inclusive business initiatives also contribute to the company's broader stakeholder engagement agenda, which aims for the company "to become perceived as a proactive and positive neighbour and partner" and "to build mutually beneficial relationships".<sup>79</sup>

Through its inclusive business the company can create common ground with actors outside the traditional business sphere, such as non-governmental organizations, universities and local governments, who might not be otherwise considered as partners. When comparing its stakeholder engagement approach under its standard business line versus its inclusive business initiative, the difference is significant.

"There's something unique about inclusive business. People are more engaged and excited to participate in inclusive business initiatives, because of the shared value that is conceived. Relationships between stakeholders are more genuine, built on mutual trust, and sustainable," says Gonzalez.

From CEMEX's perspective, building trust between different actors is a key factor in creating strong partnerships. For this reason, CEMEX has developed a very clear process for building partnerships and criteria on how they can build trust and foster cooperation with a diverse group of stakeholders, including social entrepreneurs, microfinance entities and governments.

Establishing partnerships with different actors requires a tailored approach for each potential partner. For example, CEMEX has smoothly developed partnerships with governments by collaborating and leveraging existing public policy in many of the countries where it works. Thus governments increasingly view private sector as an ally to tackle societal challenges such as climate change, housing and unemployment. For example, in Nicaragua, Mexico, Colombia, Costa Rica, and Panama where CEMEX's Productive Centres of Self-Employment operate, governments have agreed to purchase half of the concrete

products made in the centres, and the other half is given to the community participants for building, repairing or expanding their homes. The governments use the products for infrastructure development and the resulting revenue is reinvested to make the centres self-sustaining.

Active collaboration contributes to the company's purpose of building a better future, and with CEMEX's experience, it can contribute to enhance local, national and regional regulations to better support inclusive businesses, and encourage sustainable practices in the construction industry.

As each partnership is tailor made, when the company engages with social entrepreneurs and NGOs, there are different challenges, but a key factor is trust and transparency. CEMEX has co-invested with some potential partners to test the collaboration – examples include with clean cookstoves social entrepreneurs in Mexico and Guatemala.

CEMEX identifies three important business benefits that come from such partnerships: scalability, access to new markets and resilience. Partnering with local organizations enables CEMEX to leverage their knowledge about the local context and start initiatives in different environments.

"Thanks to our business model, we are flexible enough to partner with different actors and reach different communities," says Gonzalez.

CEMEX has been able to expand their programmes to indigenous communities such Oaxaca and Chiapas in Mexico. The involvement of local actors has also brought significant benefits in reputation and customer satisfaction. For example, participants of Patrimonio Hoy feel they have ownership over the programme and responsibility over improving their housing, which shows in high numbers recommending the programme to their friends or colleagues. Working with a diverse set of actors also increases resilience of the projects, because the continuity of the model is not dependent on one partnership only.



# Mastercard

## Stakeholder Engagement and Collaboration

Sector  
**Financial Services**

Priority SDGs



Headquarters  
**United States**

Area of impact  
**Access to financial services**

**Mastercard is a global technology company which provides electronic payment services worldwide.** Since 2013, it has delivered programmes and services to more than 200 million people previously excluded from the financial mainstream due to a lack of formal identification documents, limited physical access to banks, low trust in banking systems and financial illiteracy.

A lack of access to financial services prevents people from accessing services such as savings accounts, loans and insurance. For governments and NGOs delivering social assistance, cash and in-kind aid heighten the risk of fraud and waste and suppress local markets. Cash economies in emergencies and development contexts inevitably create shadow economies fostering corruption, black markets, money laundering and tax evasion.

As a BCtA member, Mastercard seeks to extend its services to reach additional 200 million people by 2020, including connecting 40 million micro and small merchants to its electronic payment network in order to accelerate the adoption and use of its financial tools.

Partnerships are extremely valuable for **Mastercard**. The company's strategy to advance financial inclusion leverages digital payments technology through public and private partnerships. These partnerships have allowed the company to successfully reach BoP populations and craft new business models with innovative technologies.

To successfully reach its target levels of financial inclusion, providing access to services is not enough – services also need to be widely utilized. This means increasing financial literacy, making electronic payments easier and providing flexible point-of-sale technologies. Building an ecosystem for payment acceptance doesn't generate short-term profits but requires long-term investment. Building strategic partnerships has helped the company to overcome the challenges of economics, risk, inadequate distribution, and customer experience related to electronic payment acceptance.

Mastercard has developed a unique mindset for its inclusive business partnerships.

"Consideration of partnership opportunities in our inclusive business efforts has a broad focus, including the ability of partnerships to address the challenges inclusive businesses face, while our non-inclusive business activities will likely have a narrower, more immediate focus. For Mastercard, successful inclusive business means co-creation," says Daniel Schwartz, Director within the Global Policy Affairs team at Mastercard.

Building effective public-private partnerships is one key pillar of Mastercard's strategy to achieve this efficiently and quickly, because the public sector is the largest consolidated financial flow to the BoP. The company believes public and private sector can achieve greater impact when working together.

Another important pillar is building private-private partnerships, which strengthen the ecosystem of electronic payment services and open new pathways to financial inclusion. Mastercard's broad approach to partnerships allows engaging with both traditional payment service providers and those private sector entities that are involved in commerce at the base of the economic pyramid. The latter have not traditionally been considered drivers of financial inclusion, but from Mastercard's perspective they play an important role and should be encouraged to work more closely with the traditional players. Partnerships with these non-traditional stakeholders allows Mastercard integrate directly into existing operations and value chains, which makes it possible to scale new solutions quickly.

One important element of partnerships for Mastercard is to share expertise. Mastercard uses its core competencies to develop new solutions that are scalable to their partners and respond to their needs and local context, working with small businesses,

governments and other actors. For example, the company has piloted Masterpass QR product in Nigeria. It leverages QR codes to enable cost-effective electronic payments for micro-enterprises. To create a risk-sharing facility that increases small businesses' access to financial services, the company has partnered with the International Finance Corporation. In addition, with Mastercard's innovative products such as Mastercard Aid Network, aid organizations are assisting the world's most vulnerable people while stimulating local economies.

By leveraging different partnerships, Mastercard's has had a chance to prioritise digitizing processes and digitalizing whole business models. This in turn has brought gains in efficiency and opened new opportunities to drive financial inclusion and create new tailored market opportunities for inclusive business. Leveraging lower cost technology and new lower cost distribution channels have enhanced Mastercard's ability to viably reach the target population of their inclusive business and improved the commercial viability of their inclusive business efforts.

One example of new business vertical that has created new ways to deepen financial inclusion is Mastercard's Jaza Duka initiative in Kenya, developed under a strategic partnership with Unilever. It is driving merchant sales and reducing inefficiencies by digitising last-mile credit extension to micro-retailers. The initiative provides micro-credit eligibility recommendations to the Kenya Commercial Bank by combining distribution data from Unilever and analysis on store inventory purchases by Mastercard. In addition to bringing benefits to the retailers in terms of improved operations, it benefits the larger payment ecosystem by helping to establish a critical mass by addressing new flows and enabling new uses of payment data.

Another example of innovative partnership is the Mastercard Farmer Network, a digital platform which helps making smallholder agricultural producers living in remote areas to become visible to global supply chains. Developed by Mastercard's Lab for Financial Inclusion Nairobi in partnership with local entrepreneurs, government and other stakeholders, it helps smallholder producers connect with buyers in their local language and to obtain the best prices for their products. The Network received the Best AgTech solution award in 2018.

Partnerships with both public and private sector actors have enabled Mastercard to deploy more innovative and profitable initiatives and advance their efforts to engage BoP populations much more extensively than they could have done alone. In partnering with the public sector, they have gone beyond only providing technical solutions: Mastercard is moving towards its target of transforming the financial ecosystem to more inclusive for the people and businesses at the base of the economic pyramid.



# ACT

## Corporate Advocacy

Sector  
**Consumer Goods**

Priority SDGs



Headquarters  
**Germany**

Area of impact  
**Living wages in the garment, textile & footwear industry**

**The ACT (Action, Collaboration, Transformation) Initiative, launched in 2016, is an agreement between international brands, retailers and trade unions** to transform the garment and textile industry and achieve living wages for workers through collective bargaining at industry level linked to brand purchasing practices.

The initiative centres on a memorandum of understanding between the global union IndustriALL and 21 global brands and retailers including ASOS, C&A, H&M, Inditex, Kmart, Next, Primark, Target, Tchibo, Tesco and others. It is led by a board comprised of 50 percent union and 50 percent brand representatives and has a full-time secretariat.

The ACT business case shows that corporate advocacy can generate a productive - but also more sustainable - garment industry. Better paid workers will have a better standard of living, be healthier and more motivated, which will result in increased productivity. This leads to stronger competitiveness, giving companies stronger incentives to invest in industrial upgrading.



In most producing countries, the wages of garment, textile and footwear workers are currently set through minimum wage fixing mechanisms. While they do establish a common floor, these mechanisms have proven to be inadequate in raising wages to anywhere near the level of a living wage. Importantly, minimum wage fixing is not able to address other factors that have a significant impact on wages, including working hours, job classification, the type of contract and non-wage benefits. It also does not address key business aspects such as productivity and skills development.

**ACT** reflects the growing recognition by large brands that systemic change of the wage setting mechanism in the industry is needed in order to improve wages and that this cannot be achieved by individual actors or by relying on market mechanisms only.

“Even though consumption patterns of individuals are changing, and businesses are responding to them, we cannot only rely on market mechanisms to lead the change to sustainably produced products. Market forces alone will not remove the products that are produced in a non-sustainable manner,” Dr Frank Hoffer, ACT Executive Director, stresses.

Global competition and pressure to keep the costs low along the supply chain makes it very difficult for individual manufacturers or brands to establish change alone. When several brands commit to the same principles, they avoid competitive disadvantages that otherwise could occur. By setting wages through collective agreements at industry level, wage competition can be replaced with competition based on efficiency, innovation, design and creativity.

It is the common understanding that there is no other way of creating change in the industry that commits ACT members to the process. For many companies, the Bangladesh Accord, which is the first legally binding agreement between global brands and trade unions to ensure safe and healthy working conditions in garment factories in Bangladesh, showed the power and necessity of collective action and inspired them to join ACT.

In addition to purchasing practices, moving towards a sustainable and productive garment industry based on good wages and working conditions will require the willingness of country-level actors to engage in genuine collective bargaining and governments to provide a conducive legal and institutional environment at the industry level. In addition, industrialised countries should reward the efforts of producing countries to ensure full respect of human rights at work and living wages through their trade policies.

ACT offers a platform through which collaboration between brands, trade unions and employers can be coordinated on a national and international level. Through this cooperation ACT can help to create better industrial relations and also affect market stability by offering a voice to workers at industry level.

“The only lasting and viable way to achieve substantial and sufficient increases in the basic wage for all workers is through fair negotiations between workers, trade unions and employers. This requires industry-wide collective bargaining agreements that empower workers’ representatives to engage in fair negotiations,” H&M Group states.

Collective bargaining at industry level can also establish a framework for determining other conditions of employment, as well as measures for increasing skills and productivity that are appropriate for the industry and agreed by trade unions and manufacturers together. The right to Freedom of Association and Collective Bargaining are internationally recognized human rights and part of the International Labour Organization’s (ILO) Core Labour standards. Collective bargaining is impossible without Freedom of Association, which is the right for workers and employers to form and join organizations of their own choosing (ILO Convention No. 87). Committing to ACT shows the recognition of companies of their responsibility to address human rights risks in their supply chains.

Besides incorporating higher wages and other labour costs into their purchasing prices, ACT member brands offer country specific support commitments for countries that are the first to conclude a qualifying collective bargaining agreement. This can include long-term commitments to source from markets that are willing to enter such a collective bargaining agreement. These country support commitments enable manufacturers to agree to improved wages and working conditions, knowing that this will be supported by their buyers.

All ACT brands have signed a Memorandum of Understanding with IndustriAll Global Union, which commits them, amongst other things, to ensure that their purchasing practices facilitate the payment of a living wage and that their suppliers fully respect the ILO core conventions of Freedom of Association and Collective Bargaining. Signing the MoU ensures a monitoring and accountability process for the brands and their commitments.

Being part of ACT and signing the MoU also means making a commitment jointly and publicly, which makes them accountable to their counterparts. In addition, ACT is planning to develop a third-party verification process which would measure commitments more concisely and provide a complaints mechanism.

When brands only work with ACT member suppliers, it creates incentive for other suppliers to join the initiative. It is a credible way for brands to meet their due diligence on living wages and raises the bar for other brands to join the initiative or to explain why they feel unable to commit in a similar way to living wages.

“ACT members seek to affect the overall regulatory environment to being more supportive towards those who try to be more sustainable and disadvantageous for those who don’t follow sustainable practices,” says Dr Hoffer.



SUPRACAFÉ®

Somos lo que sembramos

Sector

**Agriculture, Food  
& Beverage**

Priority SDGs



Headquarters

**Spain**

Area of impact

**Women empowerment  
and livelihood  
opportunities**

## Supracafé Corporate Advocacy

**Supracafé, a Spanish coffee company, specializes in the production, import, processing and marketing of high-quality coffee.** It is the only Spanish coffee company that grows coffee on its own farm in Colombia and carries out all its agricultural processes there. Since its inception, the company has directly sourced beans from female coffee growers, while strengthening their technical capabilities and innovation in the production of high-quality coffee.

Supracafé has been recognized for its efforts to reduce poverty and improve the lives of the communities from which it buys its coffee. It is recognized by Fairtrade Iberica, which guarantees customers and suppliers an operation based on fair trade processes for the Arabica coffee produced by AMUCC (Women Coffee Growers Association). The certification guarantees that the company's agricultural processes are both sustainable and responsible and are subject to strict social and environmental standards.

Supracafé joined BCtA in 2017 with a commitment to empower women in Colombia by training 400 female coffee farmers in effective cultivation techniques and support female coffee producers to prepare 200 hectares of land to grow organic coffee using sustainable and fair-trade techniques, resulting in increased production and income for the farmers.

**Supracafé's** female farmers don't just grow their coffee, they also play a central role in the company's decision making and are very much a part of the overall company identity. Supracafé recognises that it is thanks to their hard work and dedication in growing the coffee that it has such a high-quality product to sell. As such, advocating to improve pay and working conditions for coffee growers in Colombia is a top priority for the company.

"We introduce ourselves as ambassadors of their coffee at the events in which we participate in and aim to give recognition to the people behind each cup of coffee. It is very important to us that our farmers are informed, and that they can participate actively in our projects, which we work to improve and adapt to ensure they are improving their lives," says Samuel F. Ricardo Ruiz, Supracafé's Chief Sustainability Officer.

The foundation of Supracafé's advocacy approach is its solid understanding of the needs of the farmers they work with. The team regularly engages with its partner farmer associations, not only in technical and productive terms, but also to identify key factors that contribute to their quality of life.

"They are not simply spectators waiting for the benefits of a project that third parties execute; Supracafé ensures their participation in all meetings that relate to their project activities. For Supracafé, inclusion is not only in economic terms but also in the generation of shared knowledge," says Ricardo Ruiz.

This relationship provides Supracafé with first-hand information that they can use to search for alliances, resources or people with whom they can generate shared value. To advocate for better conditions for Colombia's coffee farmers, and especially its own suppliers, Supracafé's director Ricardo Oteros actively seeks out national and international alliances that will open new fields of action for common benefit. Through meetings with governmental organizations and other private sector actors, the company seeks to generate projects that increase incomes and improve quality of life for those who participate in its entire coffee value chain.

Supracafé was also an active member in creating the First Technology Park for Innovation in Coffee Value, *Tecnicafé*, in Cauca. The Park is a collaborative and open institution, focused on knowledge management for innovation from technology and competitive intelligence, which fosters entrepreneurship and business innovation in the use sustainable coffee ecosystem resources.

In November 2016, Supracafé signed a Public-Private Alliance for Development (APPD) with the Spanish Government through the Spanish Agency for International Cooperation and Development (AECID), Spanish NGO and *Tecnicafé* to support women's farming associations in Cauca. The project aims to double the

number of female coffee growers in the AMUCC association, ensuring that existing members are given additional training on resource management, while new members benefit from knowledge transfer in cultivation and new production processes. This Alliance supports women to produce high-quality coffee and create a common harvesting fund, while actively involving them in project decision-making.

Corporate advocacy, and the resulting partnerships formed, have a threefold impact for Supracafé. Not only are they empowering their farmers and the associations that represent them, they have also been able to influence for positive change to the working conditions of Colombian coffee farmers, resulting in greater productivity and improvement in the quality of their products. In addition, they have also built their credibility among their own clients, gained greater acceptance in new markets, and generated opportunities to participate as participants or official sponsors in platforms such as the OECD's Annual Forum, where they showcased the coffee produced by AMUCC coffee growers' association.

In terms of its value chain, such advocacy efforts have not just built a stronger mutual relationship between them and their suppliers, it has also helped to mitigate risks by anticipating possible crises and ensuring that support goes both ways when challenges are faced.



**Mahindra** HOME FINANCE

# Mahindra Home Finance Performance Management

Sector  
**Financial Services**

Priority SDGs



Headquarters  
**India**

Area of impact  
**Access to  
financial services**

**Established in 2007, Mahindra Home Finance is the largest housing finance company serving rural India.** Mahindra offers loans to build or buy new homes, as well as to renovate, repair, extend or build sanitation facilities on existing homes. The company is headquartered in Mumbai, India and is a subsidiary of Mahindra Financial Services Limited.

Mahindra Home Finance seeks to expand access to cost-effective and flexible home loans to a wide base of customers in rural India, ensuring that the basic need for shelter for this large under-banked customer base is met. Based on their income levels, a large number of Mahindra's customers are living at the base of economic pyramid (BoP).

Mahindra Home Finance has been a BCtA member since 2012, with a current loan book size of USD \$1 billion. It is committed to grow this in the future, by providing home loans to customers in rural and semi-urban India.

Most of **Mahindra Home Finance**'s customers are ineligible to take loans from regular banks as they lack the required documentation and proof of income or face other regulatory hurdles - 82 percent said they had never been offered a loan from other financiers. Informal financing from money lenders in rural areas carries exorbitant interest rates and fees.

Mahindra Home Finance currently operates in 13 Indian states and has a cumulative customer base of close to a million customers. Mahindra's loans are secured by the customer's property: Mahindra helps their customers to obtain or update land records, enabling them to make their houses an asset that can be monetized and used to borrow more. Customers use the loans for construction, repairs, purchase of new property and modernization or extension of existing homes. The average loan size is INR 1.2 Lakh (USD 1770) and women are included as co-borrowers on 90 percent of its loan contracts, which gives them equal say on the loan.

Mahindra acknowledges that performance management, through continuously measuring the impact of their operations, is important for the success of their inclusive business for both external and internal reasons. Externally, it helps to attract impact investors and demonstrate to the government the value of their inclusive business initiative in reducing poverty and building resilience among low income earners. Internally, performance management shows employees the importance of their work and keeps them engaged, as they can clearly see the value of their work.

"Our work is extremely people-oriented and physically demanding. Employees will not engage very long unless they see the change they are making. This is a very important motivation for performance measurement," says Anuj Mehra, Managing Director of Mahindra Home Finance.

Mahindra's employees are hired locally from the communities Mahindra is working to serve, so seeing the difference they are making in the community has a personal impact as well as a professional one.

Performance and social impact data can help better communicate the value of its products and services to its customers while also providing vital information on outcomes and overall impact made by the business, providing a clear picture of whether they are reaching the intended target population, and information on whether the products and services are well tailored to meet the customers' needs.

To measure performance, Mahindra analyses both business performance and social impact. It tracks major business parameters using a robust enterprise resource planning system, and social impact by using impact measurement tools such as the lean data approach. The data from normal business

parameters is collected on an ongoing basis and considers parameters such as the number of loans taken in a certain period of time, number of families reached, and the value of the loans taken. Those indicators are correlated with the impact Mahindra wants to achieve. Social impact data is also collected periodically to measure their impact within the target community, such as if the loans are contributing to improvements in housing infrastructure or family incomes.

Mahindra views performance management as an important management practice that adds value to its inclusive business, rather than a simple compliance mechanism, and as such assigns the task to its own employees, as opposed to using an external agency for data collection. Using internal talent ensures the data collected is consistent and of high quality, and it saves on the expense of finding and hiring an external agency. As Mahindra's employees are hired locally, they are familiar with the targeted community and therefore better in creating and sustaining mutual trust.

"They are more excited than anybody else to see the kind of difference they are going to make in their own community. That means they have a very high level of engagement with the company's activities, which leads to very high level of compliance on what and how we want to measure our performance," Anuj Mehra explains.

Performance management has increased Mahindra's understanding about both their product and their customers, which has helped them to customize their loan products and keep up with growing competition in financial markets in India. Mahindra has gained a deeper understanding of how their customers perceive their product, how they benefit from it and which needs are still not met. For example, by conducting surveys in the field, Mahindra learned that their customers wanted to improve income, health and education for other family members. In response, it started to explore opportunities to create customized insurance and mutual fund products that would address these needs, thus identifying new market opportunities.

By collecting and analysing data, Mahindra has been able to prove that the benefits from its loan products truly go beyond financing. Mahindra can now better communicate the value of taking loans not just for home ownership but also to improve one's overall standard of living. Performance data enables Mahindra to show the value of its work for investors, government, employees and customers, helps maintain trust between the company and different stakeholders and increases the engagement of its employees. In this way, performance management has helped Mahindra build and strengthen intangible assets such as trust and strong relationships with different stakeholders, in addition to financial gains.



Sector  
**Agriculture, Food  
& Beverage**

Priority SDGs



Headquarters  
**Turkey**

Area of impact  
**Agricultural  
development and  
food security**

## Pınar Target Setting

**Pınar is a leading brand in the food industry in Turkey.** It's *The Future of our Milk is in Safe Hands* initiative, initiated by the Pınar Institute and developed in partnership with Pınar Dairy and Çamlı Feed and Fattening, supports the sustainability of national dairy sector and small-scale dairy farming in Turkey by training producers to increase their productivity, incomes and the quality of their milk.

Pınar Dairy is a member of BCtA and has committed to increase the quality and amount of milk produced by small-scale milk farmers across Turkey.

**Pinar's** inclusive business initiative is part of the company's sustainability activities and thus integrated into the company's broader strategies regarding social, environmental and economic impact. The targets Pinar sets for its inclusive business are also aligned with the wider objectives of the company, which means that progress in the targets of the inclusive business translates to progress towards wider goals of the company, which are to improve the quality of milk and support sustainable agriculture.

With their inclusive business Pinar aims to increase the number of qualified milk producers in Turkey and to ensure the sustainability of responsible milk production for future generations. In the short-term, the project aims to increase the income of the farmers by increasing the productivity and milk quality. The medium-term goal of the project is to reduce the number of sick animals due to lack of feeding and hygiene, and to reduce the number of animals with mastitis. In the long term, the project aims to increase the number of people with relevant qualifications to achieve financial success.

Pinar uses target setting as a tool to guide action towards accomplishing the objectives of its inclusive business and keep on top of progress. To set meaningful targets, Pinar has invested in understanding the social impact of their operations and measuring the actual changes with both quantitative and qualitative methods.

"We believe in concrete results based on research, so we implemented a social impact analysis last year. The results of this research will be our guide to improve our activities and strengthen our observations in the field. Now, it is easier to define more accurate targets for future plans," explains Ümit Savcigil, Director of Pinar Institute.

The way for Pinar to achieve its objectives is through providing training to local milk producers. Trainings are designed to meet the educational needs of the farmers and to increase their ability to reduce animal diseases and the amount of lost milk, lengthen the equipment's durability, avoid feeding problems and improve conditions of the shelters.

Pinar has implemented a new module with small-scale dairy farms in two different cities to see the improvements in milk quality and productivity through one-on-one activities. Targets for this project measure improved quality based on microbiological measurements, and productivity in increased milk yields and reductions in milk cost per litre. Methods and results will be shown in future trainings to farmers as best practices.

The company has successfully combined commercial and social targets, which is the key to long-lasting results. When social targets are aligned closely to business targets, it supports commercial continuation of the inclusive business initiative ensures long-lasting social impact. Pinar has trained milk producers since 1973 when the company was founded, and therefore ensuring continuation is of great importance to the company.

It is important to note that with every target, Pinar has set quantifiable measures to track the progress, which it also uses to improve the impact of the project. When the targets are revised regularly, Pinar is able to identify the strongest and weakest points of the project and to make decisions regarding the further development of the project. The targets are also time-bound, so deadlines for achieving them are clear.

Benefits from target-setting are shared among the company and the local producers. Using targets as guidelines ensures that the quantity of high-quality product keeps rising, thus giving a competitive advantage to the company. At the same time, it delivers value for the local farmers by improving their incomes.



**MUJI**  
無印良品

Sector  
**Consumer Goods**

Priority SDGs



Headquarters  
**Japan**

Area of impact  
**Livelihood and  
employment  
opportunities**

## Muji Target Setting

**Muji was founded in 1980 as a private brand under Japanese supermarket The Seiyu.** Seeing a gap in the market for affordable, quality goods with no frills, it aimed to provide an alternative to predominant consumer habits at the time. Today it has over 7000 items in its catalogue, ranging from clothing to furniture, and has 700 stores worldwide.

As a member of BCtA, Muji has committed to supporting the capacity of local producers in Kyrgystan, Laos and India. By 2020 Muji will train 600 producers, with a focus on women, in eco-friendly and environmentally sustainable production, engaging them in the company's supply chain and increasing their incomes and livelihoods.



**Muji's** inclusive business model is based on engaging small-scale producers along the company's supply chain to increase their economic stability by providing fair and reliable incomes. From Kyrgyzstan, Muji sources wool felt products, such as slippers, bags and small accessories. Muji provides local handicraft artisans with training to increase their knowledge of international market quality standards and efficient manufacturing processes, packaging and marketing.

Muji's management team sets concrete targets to guide the company's operations towards the overall objectives. In the process Muji leverages the knowledge of its stakeholders. The inclusive business is implemented in cooperation with Japan International Cooperation Agency (JICA), whose local team is included in the target setting process in the respective countries where the products are made. Before setting the targets, Muji's product development team and the JICA team discuss the challenges the project has faced in the past year and new opportunities they see for the next year. This collaborative process ensures both parties work towards shared targets.

The targets for the inclusive business are set separately from their core business, because even though the manufacturing process of Muji's products is similar, the context for production is different. As part of the objective is also to advance producers' technological skills, the target setting process requires a different focus - continuity and sustainability are stressed more than in other areas of their business.

For example, the products Muji sources from Kyrgyzstan are made from wool felt, which as a material is very limited. The producers are local artisans who cannot be replaced by anyone else. If the sales were to fail, in typical business conditions the location of production could be easily changed, but in inclusive business where one goal is to sustain the growth of the Kyrgyzstan's artisans, Muji pays extra attention to sustaining the business where it is. This has to be considered when setting targets and selecting organizations to partner with.

Muji makes sure the targets are revised regularly in order to ensure they stay relevant and reflect the current situation in the operating environment. On a yearly basis, Muji revises the progress made towards achieving its targets and uses this information to inform future product development. Revising the targets allows Muji's development team to identify the strengths and challenges faced in the implementation and make informed decisions about the project's future directions.

To sustain the inclusive business and drive its success, Muji uses both long- and short-term targets. Short-term targets are set in such a way that they drive the achievement of the long-term targets. The short-term targets are more focused, for example, on the volume of production, meeting specific delivery dates and the number of producers attending trainings. For example, the number of producers attending trainings is monitored at least once a year.

Long-term targets concern processes that are slower to show results, for example the advancement of technological skills and improvements in product quality. To monitor producers' technological advancements, Muji has set up a quality test that producers must pass. As one target is to improve income and overall household stability of the producers, Muji also monitors the impact of the training programme on producers' families.

Setting targets has ensured that the company is contributing with their actions to the wider objectives of the inclusive business. Guided by the targets, the amount of quality products keeps rising while the producers advance their technological skills in trainings, become engaged in the supply chain and see improvements in their everyday lives.



Sector  
**Consumer Goods**

Priority SDGs



Headquarters  
**Bangladesh**

Area of impact  
**Vocational  
training and skills  
development**

## DBL Group Talent Management

**DBL Group, founded in 1991 in Bangladesh, manufactures textiles and apparel,** including spinning and dyeing, washing and knitting of fabrics, printing and packaging. It then distributes its apparel to global retailers.

The company is a BCtA member with a commitment to provide over 30,000 of its employees with access to affordably-priced basic household food and health items through its Bandhan Fair Price Shops. In addition, by 2020 it aims to provide social and economic empowerment to almost 15,000 women at the Base of the Economic Pyramid in Bangladesh through enhanced life and skills trainings, leadership programmes and health initiatives.

The company has a skilled workforce of more than 36,000 employees and had an annual turnover of USD 455 million in 2017-18. DBL is well reputed locally and internationally for its diverse set of sustainability activities, particularly in relation to staff-friendly policies that promote professional development and wellbeing.

The ready-made garments industry is the largest employer of women in Bangladesh. However, **DBL** realised this was not being reflected at its management level, and so in an effort to empower its female workforce, made a commitment to ensure that by 2020, half of its line supervisors would be women. With 49 percent of its total workforce already women, it made sense to promote existing staff into supervisor roles and encourage its female employees to advance to management positions.

To foster this professional advancement, DBL established its Female Supervisors Leadership Program, which builds both the soft and technical skills necessary for leadership positions, including safety, personal development, motivational techniques, communication skills, company code of conduct and quality assurance.

As more and more DBL women climb up the career ladder, the advantages are shared by employer and employee alike: not only does the workforce feel empowered as they see a clear path to advancing their positions within the company, but DBL benefits as existing employees are already familiar with the systems and company culture. Additionally, DBL has ample evidence that such efforts are already boding well for the company. Climbing alongside female employment was DBL's employee retention rate, efficiency and overall production. In 2011, employee turnover was 6 percent, compared to only 2.5 percent today, and absenteeism dropped from 8 percent in 2011 to 3.6 percent in 2018. DBL also discovered that the sewing lines led by females were about 3 percent more efficient than the male-led lines, which translates to added production worth up to US \$1.4 million every year.

DBL Group also established the Bandhan Fair Price Shop to help increase employee retention. The financial crisis of 2007-08 hit all economies, and Bangladesh was no exception. The price of goods increased significantly and for DBL's workers - some of whom were earning less than \$45 per month at the time - affording even basic household goods became a challenge.

In response, DBL increased the wages of its workers by 15 percent in July 2008. However, this caused discontent among other factories in the Konabari-Kashimpur industrial cluster where DBL was located, whose staff demanded an equal increment from their management. In order to innovatively address the financial challenges of the workers, DBL Group established the Bandhan Fair Price Shop, in addition to the wage increase. The first one was opened in 2008 at its Jinnat Complex. It stocked everyday commodities at a subsidized price (between 5-20 percent lower than market price), including food, cooking oil, toiletries and home supplies. Workers use zero-cash and on-credit transactions: the bills are adjusted with their monthly salaries.

What makes the Bandhan model unique is that it not only caters to DBL's BoP workers as consumers, it also employs the low income earners as shop keepers, and sources from BoP suppliers. DBL also partnered with international NGO Shishu Polli Plus to stock items made by low income women. Hence, the Bandhan model caters to the entire supply chain.

"Inclusive business must come through a consultative process. If we cannot incorporate what the workers want, then that business will probably not come to any use. When we established the Bandhan Fair Price Shop we consulted with the employees about which products they wanted in the shop to make sure that it was specifically addressing their needs," Mohammed Zahidullah, Head of Sustainability at DBL Group, underscores.

At one remotely located factory, the lack of shops providing everyday items meant that staff turnover was high, but within three months of opening a Bandhan shop, staff turnover had reduced by more than one-third. Today, all of DBL's factory complexes have their own Bandhan shop. It is now a part of DBL's standard operating procedure: any new complexes built will have a Bandhan. What was initially created as an initiative to help out low-income workers has turned out to be a central to DBL's success, as the company has been able to retain more skilled employees throughout the years thanks in part to this initiative.



# Gap Inc.

# Gap Inc. Talent Management

Sector  
**Consumer Goods**

Priority SDGs  



Headquarters  
**United States**

Area of impact  
**Women's empowerment and livelihood opportunities**

**Gap Inc is a leading global retailer offering clothing, accessories, and personal care products for men, women, and children.** The company joined BCtA in January 2019 with a commitment to improve the lives of one million women and adolescent girls through its life skills and technical training programme, P.A.C.E. (Personal Advancement & Career Enhancement).

Launched in 2007, Gap Inc's P.A.C.E. programme was initially implemented in Gap Inc vendor facilities to support women working in the global apparel industry. It has since expanded to schools, universities, community settings, and other manufacturing communities. The company currently operates P.A.C.E. in 18 countries and, to date, has served over 300,000 women.

Although women comprise approximately 80 percent of the global garment industry workforce, relatively few advance to higher-level management positions and many lack access to the education and skills training they need to support their personal and professional growth. This translates into reduced workforce productivity and employee retention, which is why **Gap Inc** created its **P.A.C.E. programme**. The programme provides workplace education in managerial, interpersonal, organizational and other practical skills that women need to advance both in the workplace and in their personal lives. Such an investment not only helps to tackle gender inequality, it also ensures that Gap Inc vendors have a more engaged and productive workforce.

“P.A.C.E. embodies Gap Inc’s commitment to equality and exemplifies the “shared value” approach to community investment,” says Susan Goss Brown, President of Gap Foundation. “It changes the lives of the women who participate and has a positive ripple effect on their families and communities. At the same time, it brings value to the factories where these women work through increased productivity, engagement, and retention. Overall, it is a win-win-win solution for all involved.”

P.A.C.E. participants receive between 36 and 80 hours of training, covering soft skills such as communication, problem-solving and decision-making, time and stress management, financial literacy, applying new skills in the workplace, general and reproductive health, functional literacy, legal literacy and social entitlements, and gender roles. Following this training, participants are offered a chance to continue to enhance their technical skills. The curriculum is contextualized to fit local priorities and customs.

P.A.C.E., which is free for participants, is either offered through their place of employment led by factory partners or through community sessions led by Gap Inc staff and NGO partners. P.A.C.E. engages all factory personnel, from managers to the larger workforce, which supports creating an enabling environment for graduates to apply their new skills in the workplace.

The key elements of the P.A.C.E. programme are strong internal and external partnerships, relationships with key vendor partners, and the company’s constant evaluative processes. Focusing on these elements has driven the programme’s success.<sup>1</sup>

Gap Inc has invested significantly in understanding the programme’s impact and participant’s experiences. Gap Inc has participated in two studies on P.A.C.E.: one in partnership with International Center for Research on Women (ICRW)<sup>2</sup> and one as an independent study<sup>3</sup>. Results from both research findings showed that P.A.C.E. is changing women’s personal and professional lives and benefiting business at the same time: participants reported higher self-esteem and confidence, better

communication and financial management skills, feeling more able to take care of their health and plan for the future. In the work place, they said their skills improved, they could manage their work better and were able to move into management or supervisory roles.

Findings linked programme participation to increased efficiency, productivity and performance: employee productivity rose by seven percent, retention increased by three percent, and graduates were able to work on more complex sewing operations. Compared to a control group, trained employees were 20 percent more productive. The benefits from the training continued rising after the completion of the programme, resulting in an impressive net rate of return of 258 percent for the company.

In addition to increased performance and productivity, the P.A.C.E. programme has strengthened Gap Inc’s relationship with the company’s suppliers, and helped them to better understand and address the specific needs and challenges their suppliers face. This new level of awareness has also deepened the sense of meaning and purpose among their employees.<sup>4</sup>

Based on the programme’s positive results and proven impact, Gap Inc expanded P.A.C.E. to include women (2013) and adolescent girls (2016) living in surrounding communities through schools, universities, and community centres. The company has also begun to license P.A.C.E. to select strategic vendors, NGOs, and other companies to deliver the programme providing even more women access to P.A.C.E. benefits. Gap Inc is supporting this expansion by developing a framework for a community of practice, which would enable more coordinated and consistent efforts in sharing tools, knowledge and resources between P.A.C.E. teams and their implementing partners.



## CREPES & WAFFLES®

Sector

**Agriculture, Food  
& Beverage**

Priority SDGs



Headquarters

**Colombia**

Area of impact

**Agricultural  
development and  
food security**

# Crepes & Waffles

## Employee Well-being

**Crepes & Waffles, a Colombian family restaurant business established in 1980, offers its customers healthy and affordable meals.**

Crepes regularly incorporates new locally-grown products into its menu, as using local products and creating new gastronomic experiences has always been part of its core business.

Furthermore, the company has focused on its inclusive business having social impact throughout its supply chain, especially on its producers and employees. The purpose is to promote direct relations with smallholder farmers and mostly employ single mothers as a way to close market gaps while contributing to social transformation.

Crepes & Waffles is a member of BCtA with commitment to create economic opportunity for at least 100 smallholder farmers in Colombia by directly and fairly purchasing cuarentano beans for its restaurants. In addition, it will regenerate large areas of the country's dry forest by creating better conditions for water conservation, contributing to farm resilience and food security.

**Crepes & Waffles'** product is based on the quality of not only of the food, but that of the lives of the people that make it possible (from farmers to waitresses to consumers). For Crepes, employee wellbeing is as important as the quality of its products. Investing in employee wellbeing is a commitment that has led to the company's success.

"Dignifying lives of employees and people involved in Crepes' supply chain is crucial for the sustainability of the company. Because we see and treat our personnel as critical pieces of our DNA, they also feel part of something greater and become partners that guarantee the quality of our business," says Rodrigo Cabrera, Crepes & Waffles' Administrative Manager.

The company is well aware that their business would not grow if their personnel didn't also keep developing. "Our sales are the result of their work and commitment, which makes our business sustainable", Cabrera adds.

Crepes believes every company should understand that in order to be successful they must treat their employees and suppliers with respect and care. "We, as a society, must shift from traditionally looking at numbers first to understanding and appreciating the people that make it happen," says Cabrera.

The value of people's wellbeing is reflected in their motto, "*Sentirse bien, hacer el bien y hacerlo bien*" (feel good, do good and do it well), coined by Crepe's co-founder Beatriz Fernandez.

For the past 10 years, Crepes has implemented "Arts Academy", a platform which supports the comprehensive development for all of personnel, from administrative to C-suite. It is a key element for the success of their people and business, and therefore under constant improvement. The platform uses art and methodologies based on the cultivation of integral consciousness and learning to generate processes that transform the relationship of the individuals with themselves, with each other and with the social and natural environment. This, at the end, will regenerate life in Crepes' community and society, through a process of profound individual transformation and social change.

The benefits from focusing on employee wellbeing are significant. Crepes has the lowest rotation rate in the industry (12 percent in 2018 in comparison with an average of 35 percent in the industry), having a person in the organization for an average of eleven years.

"We encourage our staff to grow and appreciate one another, regardless of their socio-economic status. This is possible in part due to the ongoing trainings as well as our need to make them feel part of something greater", Silvana Rovida, "Arts Academy" director explains.

The vast majority of staff in Crepes restaurants are women, and the majority are victims of armed conflict and/or gender violence. Crepes recognizes female heads of households must be heard and

be visible in the company and society at large. On the company level Crepes makes sure their needs, concerns and suggestions are taken seriously and incorporated when applicable. To fulfil this goal at the community level, Crepes provides these women with tools to develop their emotional abilities.

As for the suppliers, Crepes builds a close relationship with the majority of them: starting from getting to know them, their family and their story to building respect and trust. Frequent field visits and calls with suppliers allows Crepes to have a continuous partnership, some for over 30 years where they start selling just few products and now are a company with 200 employees themselves. Furthermore, Crepes does not sign a contract with suppliers, because they don't see them as external stakeholders, but rather as key actors in what the company does.

As part of their philosophy, Crepes has also recently started implementing a new strategy which in part aims to measure how their employees can develop themselves. For example, the restaurant's employees set targets along with their supervisors concerning their own performance and soft skills. These targets are constantly monitored and supported by either Crepes' training unit or Arts Academy. After the first two years the responsibility of following-up on the targets is transferred to the restaurant managers.

Crepes invests in extra-legal benefits (health, wellbeing, family support, etc.) for its employees as well as regular trainings and scaling opportunities for all its employees. For instance, Crepes has an agreement with an education organization which provides elementary and secondary education both online and in person. Crepes pays half of the tuition fee of the attending employees, while immediate family members can join paying full price. To promote further education of the employees that already have secondary education, Crepes has partnered with the National Technical Institute.

"One of our employees had no education and because of her illiteracy, she was taking customers' orders using symbols. After years she went to school, got a technical degree and is now part of the administrative unit in Crepes," tells Maria Alicia Andrade Operative Director.

All these factors make Crepes' employees and suppliers have a sense of purpose, which in turn translates into quality of the products. Quality products and services has allowed the company to be in the market for over 30 years, scaling their philosophy to other countries, and being resilient despite economic uncertainties.

"If you purchase quality products from suppliers that will give you nothing less than their best, as well as have employees that only provide quality services; customers notice it. That is how Crepes is known; it is part of our history and essence", says Marcela Arango, Sustainability Projects Coordinator.



Sector  
**Consumer Goods**

Priority SDGs



Headquarters  
**Colombia**

Area of impact  
**Agricultural  
development and  
food security**

## Grupo Éxito

### Research and Development Practices

**Grupo Éxito is a Colombian retail company that sells food, clothing, home appliances, personal care products and electronic and digital products across South America.**

The company acquires 92 percent of their fruits and vegetables in Colombia, out of which 82 percent are purchased directly from more than 670 small and medium producers. Grupo Éxito works with small local farmers, through associations, in order to define quality, pricing and quantity, and if needed, provide technical assistance.

In an innovative approach to research and development, Grupo Éxito engages with its smallholder producers through regular round tables to better understand their needs and potential, which it can integrate into its business approach. These meetings have the dual function of acting as a marketplace, cutting out the need for a middleman, while reducing costs for the company and increasing earnings for the farmers.



As part of **Grupo Éxito's** commitment to promote sustainable trade, it aims to directly purchase goods from Colombia as much as possible. When identifying local suppliers, Grupo Éxito conducts round tables with farmers that aim to provide growth opportunities to small and medium producers in Colombia.

Since the rural commercial round tables were initiated in 2018, Grupo Éxito has worked to refine them to increase the value for both beneficiaries and the company. The initiative has generated several positive spill overs: reduced logistics costs, more consistent income for farmers, and increased understanding of farmer's needs and interests. Because round tables gather together all local farmers and are implemented regularly, Grupo Éxito uses this opportunity to purchase all needed goods in the same place, thus reducing logistics costs for the farmers and reducing transportation costs for Grupo Éxito.

The round tables remove the need for intermediaries, enabling farmers to gain competitive and consistent incomes, and earn the margin that would have previously gone to middlemen. It also provides an opportunity for small and medium-sized farmers to promote both their own businesses - and the Colombian agricultural sector more broadly - while also strengthening their capacities. Grupo Éxito provides small and medium-sized suppliers with technical support according to size and capacity.

Grupo Éxito is also able to identify new products, new suppliers, and create feedback loops at the point of origin. This innovative practice has allowed to shift its fruits, vegetables and fishery portfolio from importing to buying local products to over 80 percent. They are aiming to becoming the first big retail company in Colombia whose fruits and vegetables are 100 percent local.

Being in close contact with local communities, Grupo Éxito has gained a deeper understanding of their beneficiaries' needs and constraints, which has brought about new innovations. One of the recurrent constraints farmers faced was not being able to sell some of their products as they were not "pretty" enough to be sold in high-end supermarkets (Carulla and Exito). Grupo Éxito decided to purchase these products and sell them in their low-cost locations at cheaper prices, while continuing to buy the unblemished produce. They also started a "Ugly yet Yummy Fruits and Vegetables" (*Frutas y Verduras Feas pero Sabrosas*) campaign, promoting the sale of produce with imperfections in their high-end supermarkets.

Another important component of the round tables is that they are conducted in partnership with national and local governments (Ministry of Commerce, Ministry of Agriculture, and local administrations) to minimise risks associated with agroindustry commercialization processes by linking the supply and demand of products even before they are harvested. This has allowed not only progress in the development of supply chains that benefit small producers, but in the creation of sustainable models of rural supplies as well.

Implementing and refining round tables brings concrete gains to Grupo Éxito. Round tables encourage farmers to organize in associations and co-ops which stabilize the quality of the products and the level of income. This strengthens Grupo Éxito's business and reputation in terms of quality of products, loyalty of farmers and promoting a quality and fair supply chain. In addition, Grupo Éxito promotes in their roundtables a shift towards organic products, which in turn will result in having a better sustainable reputation as well as re-positioning the brand to organic production.



# Partex Agro

## Adoption of Innovative Technology

Sector  
**Agriculture, Food & Beverage**

Priority SDGs



Headquarters  
**Bangladesh**

Area of impact  
**Agricultural development and food security**

**Agricultural input supplier Partex Agro is the fastest growing company under the Partex Star Group**, a Bangladeshi conglomerate that includes foods and beverages, steel, real estate, furniture, agribusiness and more.

Partex Agro focuses on developing new seed varieties that are high yielding, adapted to changing climates and resistant to pests and diseases. In order to maximize its impact, Partex Agro first developed its internal capacity by recruiting additional staff for production, marketing and sales, and providing them with training and development opportunities. The company then began intensive research and development, collecting seeds from domestic and foreign sources, and assessing their performance. The seeds that performed best in these trials were multiplied by contract growers and sold to small farmers at affordable prices.

Under its BCtA commitment, Partex Agro plans to integrate three million farmers in Bangladesh into its value chain as consumers of high yield variety seeds, and an additional 5000 people as hybrid seed growers, suppliers and distributors by 2020. Additionally, the company will support 3000 farmers and their families by investing in skills development and creating both direct and indirect jobs.

The agricultural sector is the largest source of employment in Bangladesh. However, the sector's growth is constrained by challenges such as loss of arable land, population growth, climate change, a lack of quality seeds and inputs, and a lack of credit support to markets. In addition, farmers receive low prices for the products they sell. **Partex Agro** is working to mitigate these challenges by developing new crop varieties that are high yielding, adapted to changing climates and resistant to pests and diseases. Innovation is thus at the core of their inclusive business model.

The company recognizes that the process of identification and integration of innovative technologies is different for inclusive versus non-inclusive businesses.

"In non-inclusive business initiatives people normally focus on short-term profit maximization, business unit-based incentive structures and uncertainty avoidance. These can become obstacles for inclusive business, as innovation processes do not conform to these frameworks," says Mostafizur Rahman, manager of Partex Agro's Marketing & Business Development Department.

Partex Agro emphasizes the importance of actively engaging with and listening to farmers, placing their needs at the core of their innovation processes. Previously, agricultural input companies did not typically engage low income farmers to understand their needs; companies would sell to dealers, who would on-sell without considering the individual needs and income of the farmers. Partex Agro is also now buying back from its seed producing farmers to give them a fair price for their products – a process which has not been done by agro-input companies before.

Partex Agro ensures farmers and other stakeholders in its supply chain are included directly in trainings, meetings and loyalty schemes. As a result, the company has been able to integrate innovative technologies and management techniques into processes in ways different than before.

During these meetings and trainings, Partex Agro maps individual farmer needs and aligns their research and development practices to them. Once a new innovative product, service or practice is under development, Partex Agro organizes a trial session in the field. If the innovation is supported by farmers in the pilot phase, they start delivering it. Innovative products include hybrid vegetable seeds that are more resistant to viruses and bacterial wilt, or yield more than local varieties, as well as products for crop protection customized for local needs. To ensure optimum output for the farmers, Partex Agro organizes specialized training to ensure they are acquainted with any new technology or methods used.

For Partex Agro, innovation is a continuous process. The needs of the farmers change over time, which makes continuous innovation crucial to successfully sustain an inclusive business. Without continuous innovation, it would be impossible to overcome constraints and vulnerabilities that farmers and other stakeholders face regularly in the agricultural sector in Bangladesh.

While new innovations in Partex Agro's procurement, supply chain, distribution, capacity building and awareness programmes have improved the living conditions of those living at the bottom of the economic pyramid (BoP), they have also brought concrete gains for Partex Agro's business. Farmers, dealers and retailers are more readily adopting the current inclusive business approach than they did the previous non-inclusive approach. New product lines are increasing its farmer base, which again opens new areas for intervention.

According to Mostafizur Rahman, the most important gain for Partex Agro has been increased access to new markets.

"Increased access to new markets has been our major gain as we have been able to serve more farmer families and ensure increased crop resilience, efficiency and productivity with our continuous innovation for sustainable business growth," he said.



**Medtronic**

Sector  
**Health**

Priority SDGs



Headquarters  
**Ireland**

Area of impact  
**Access to healthcare  
and healthcare  
services**

## **Medtronic** Adoption of Innovative Technology

**Medtronic is a global healthcare solutions company committed to improving people's lives through medical technology, services and solutions.**

To further strengthen their efforts to contribute to sustainable healthcare delivery models for emerging markets, Medtronic founded Medtronic Labs in 2016 as a distinct sub-business within the company, which aims to balance social impact with financial sustainability by developing innovative ways to use digital and new technology to deliver healthcare to low income communities.

One initiative under Medtronic Labs is the Shruti programme, launched in India in 2013, which aims to provide quality ear care to underserved populations in densely populated, low-income urban areas where undiagnosed ear problems are particularly pervasive. The programme seeks to address barriers of access and awareness by leveraging technology and bringing care into patient communities. As of 2019, the programme has screened over 600,000 people for chronic ear infection.

Medtronic is a BCtA member with a commitment to screen 100 million patients in developing countries for treatable ear conditions by 2025, by expanding the Shruti programme. In addition, it is developing a complete line of affordable products to clean, screen, and treat ear conditions in the field and the clinic.

Digital and product technologies play an important role across the whole patient care continuum in **Medtronic's** Shruti programme. To tackle the lack of affordable and adequate treatment options, the programme was designed in tandem with an ear-screening kit, ENTraview, an android-based otoscope (a medical device used to examine ears) used for collecting and tracking screening data.

ENTraview uses a software application to capture patient information and help community health workers to make a simple diagnosis. Patient information can be uploaded remotely, which enables Ear, Nose and Throat (ENT) physicians to monitor and review diagnoses via the internet. Community health workers are trained and equipped by the programme to gather patient details, symptoms and other information, including an image of the ear's tympanic membrane - with a built-in algorithm for field triaging of ear diseases. Patients with ear problems are given counselling regarding further treatment at in-network hospitals, including medical management, minor procedures, surgical intervention, provision of hearing aids and rehabilitation.

The device also includes a separate hearing screening test app that allows testing for hearing loss. It also supports programming and trialling of a low-cost state-of-the-art hearing aid, which saving patients having to take a day off work to go to an audiology centre.

"Technology lets Shruti take care to the doorsteps of the patients," says Prateek Ahuja, Program Manager and lead of the Shruti programme at Medtronic. "In this way, Shruti has been able to address barriers of access and awareness and increased the number of people having access to quality healthcare services."

The Shruti programme was developed in close cooperation with local partners, leveraging their expertise in design, operations and clinical work. By partnering with local experts, Medtronic was able to decrease its start-up time significantly.

The programme is designed to leverage local health care resources: Shruti patients are referred to existing local providers, who are able to leverage the increased and consistent patient flow to deliver low, bulk pricing for patient care. More patients are treated at a lower cost, local partners benefit, and the local healthcare economy is developed. Medtronic can also use mass screenings to develop a pipeline of patients who, given access to low-cost treatment, will form a customer base for new and existing Medtronic products.

With the use of ENTraview, Medtronic is creating a completely new market for the ENTs across India.

"The Shruti programme continues to redefine the way healthcare service delivery models are set up in resource limited settings," says Mr Ahuja. "Awareness, patient education, access to ear care pathway and affordable and quality treatment are at the heart of what Shruti programme does".

## ANNEX

# Endnotes

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# Acronyms table

AI	Artificial Intelligence	ICRW	International Center for Research on Women
ACT	Action, Collaboration, Transformation	ILO	International Labour Organization
BCI	Better Cotton Initiative	IoT	Internet of Things
BCtA	Business Call to Action	IPCC	Intergovernmental Panel on Climate Change
BoP	Base of the Economic Pyramid	JICA	Japan International Cooperation Agency
BSR	Business for Social Responsibility	KPI	Key Performance Indicator
CEO	Chief Executive Officer	MNC	Multinational Corporation
Cedefop	European Centre for the Development of Vocational Training	MoU	Memorandum of Understanding
CIMA	Association of International Certified Professional Accountants	MSME	Micro, Small & Medium Enterprises
CMP	Crisis Management Plan	NDCs	Nationally Determined Contributions
COP	Conference of the Parties to the United Nations Framework Convention on Climate Change	NGO	Non-governmental Organization
COSO	Committee of Sponsoring Organizations of the Treadway Commission	NPV	Net Present Value
CSR	Corporate Social Responsibility	OECD	Organization for Economic Co-operation and Development
ESG	Environmental, Social and Governmental	P.A.C.E.	Personal Advancement & Career Enhancement
ERM	Enterprise Risk Management	PRI	Principles for Responsible Investment
EWINDO	East West Seed Indonesia	RBT	Risk-Based Thinking
EU	European Union	R&D	Research and Development
G20	Group of Twenty	RESIST	Resiliency, Ecology, Strengthening, Independence, Structuring, Training
GDP	Gross Domestic Product	SDGs	Sustainable Development Goals
GRI	Global Reporting Initiative	UCL	University College London
GSA	Global Shea Alliance	UN	United Nations
HCD	Human-centred Design	UNDP	United Nations Development Programme
HR	Human Resources	UNGC	United Nations Global Compact
IB	Inclusive Business	WBCSD	World Business Council for Sustainable Development
		WWF	World Wildlife Fund

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