



RIB ASIA

Responsible and
Inclusive Business

CREATING SHARED VALUE THROUGH INCLUSIVE BUSINESS STRATEGIES

CSR ASIA



SHARED VALUE AND INCLUSIVE BUSINESS

The concept of shared value aims to address social needs in a way that is commercially viable for businesses. It provides businesses with an opportunity to improve competitiveness whilst simultaneously addressing global challenges and contributing to development. This paper focuses on addressing poverty through interventions in a company's value chain that can provide opportunities for poor people whilst also providing commercial benefits for the business through improving the competitiveness of the value chain.

Two-thirds of the world's population live in poverty and many of them lack access to basic services. Poor people alone are often unable to improve their economic prospects and inclusive business interventions are aimed at creating economic opportunities for them along commercial value chains. Women are often particularly vulnerable and being aware of gender issues along value chains is an important aspect of development. The same is true of human rights since poor people are vulnerable and prone to being victims of abuse.

The private sector has been a huge alleviator of poverty, creating the jobs and wealth that can provide people with economic opportunities through employment and supply chain opportunities for small businesses. But there is more that the private sector can do and many businesses are increasingly interested in finding solutions to reduce poverty, engaging the poor and contributing to the development process.

Inclusive business strategies seek to contribute towards poverty alleviation by including the poor and low income communities in its business processes in a commercially viable way and increasing the competitiveness of its value chain. Successful inclusive business strategies should be based on three characteristics:

- **Improved living conditions for poor people:** Increased incomes and employment opportunities, increased knowledge and skills, access to markets, improved infrastructure, access to goods, services and premium prices benefiting poor communities.

- **Shared value creation:** Low-income communities are integrated into efficient value chains of leading companies in a productive way, increasing incomes, improving living conditions and creating a more competitive value chain.
- **Commercial success for businesses:** Lower supply costs, increased productivity, improved quality, differentiation opportunities and market expansion through the inclusion of poor people creating long term economic value.

Thus the inclusive business approach will leverage a range of innovative initiatives that allow a lead business to include poor communities into its value chain, generating shared value for the business and those communities. It creates growth, productivity, profits and new opportunities for the business, at the same time generating income and wealth for the poor and creates a potential win for the environment and resources by introducing more sustainable techniques and technologies.

DEVELOPING AN INCLUSIVE BUSINESS STRATEGY

A successful inclusive business strategy aims to include the poor in the value chain of a lead business as growers, producers, suppliers, distributors, agents, employees, business owners and customers in ways which enhance the competitiveness of the value chain and provide commercial opportunities for the business, while advancing the economic, environmental and social conditions of the communities where it operates.

The value chain includes all the parties that perform activities which are required to bring a product from its design, through different phases of processing and distribution to the final consumer. The value chain is linked by a series of trade relations which ensure the movement from the primary suppliers to the final consumers.

An inclusive business strategy will examine the interventions that can be leveraged by a business at different points in the value chain to create new opportunities for poor people. Such interventions will aim to include poor and other marginalised groups in the value chain in a productive way by:

- Providing job opportunities for poor people in value chains
- Investing in skills development, education and quality improvements that can leverage productivity enhancements and increase incomes
- Improving the efficiency and effectiveness of a value chain to create larger margins for the poor and contribute to the competitiveness of the whole value chain
- Investing in entrepreneurship and new small businesses that can provide useful goods and services that feed into the value chain of a business and create clusters of local economic activity
- Establishing and strengthening policies, standards, institutional infrastructure and physical infrastructure so that poor people can get easier access to employment, markets for their products and improved distribution
- Innovation to create affordable goods and services that poor people can produce, distribute and consume.

Encouraging inclusive business can be part of the business's wider corporate social responsibility (CSR) and community investment portfolio to enhance brand reputation and trust. There may also be a role for employees of the lead business to be involved in the inclusive business strategy through some form of volunteering or skills exchange.

CREATING COMMUNITY BASED EMPLOYMENT OPPORTUNITIES



Jaipur rugs is one of the largest manufacturers of hand-knotted rugs in India, helping low-income women in one of the most economically disadvantaged regions to gain access to 10,000 weaver employment opportunities in their own communities, creating a local cluster of economic activity. Jaipur rugs provides sustainable livelihoods to over 40,000 artisans and has differentiated its product from those of its competitors.

Jaipur provides weavers with one-month training in advanced rug weaving techniques, as well as techniques to improve the quality and quantity of rugs produced. Jaipur's training and links to its value chain, stressing the hand-made artisan product, increases the income of women weavers and does not require them to leave their families.



Inclusive business strategies should be guided by a number of principles that will help to define the possible value chain interventions that will be of most benefit to the poor and marginalised, whilst creating competitive advantage for the lead business:

- Stakeholder engagement to ensure that inclusive business interventions are accepted by communities and that opportunities are aligned with the aspirations of poor people
- Considering multiple interventions along the value chain that together can leverage maximum benefit for poor people and their communities
- Maintaining good governance and transparency around any inclusive business strategy to avoid further exploitation of poor people through corruption, illegal activities and human rights abuses
- Monitoring and assessment to ensure that the outcomes of inclusive business interventions are effective and providing benefits to poor people and communities that are identifiable and measureable
- Flexibility in the design and delivery of inclusive business interventions recognising that not all attempts to meet the needs of the poor will be successful and realising that interventions may need to be changed or even abandoned over time
- A longer term plan to develop interventions that become scalable over time – successful inclusive business strategies ought to be scalable in their nature because they generate commercial benefits for companies



Although an inclusive business strategy has the potential to create shared value, it should not be assumed that there are not hurdles to overcome. Poor people often remain poor because they face significant barriers that prevent them accessing economic opportunities. They often face discrimination and lack education, knowledge and finance that would help them gain access to jobs and markets.

We should also recognise that the very nature of many modern value chains can actually be a barrier to getting poor people higher incomes. Many value chains involve many small scale producers with little power that face large multinational processors, distributors and retailers who are often intent on lowering prices so that margins for poor people are squeezed. Moreover, such small producers are often geographically scattered, with poor physical infrastructure, meaning that they do not have access to competitive markets and are forced to accept the price they are paid by “middlemen”. In addition,

prices are often fixed further up the value chain by powerful actors.

Small producers commonly have poor skill sets and this can lead to inefficient production methods and lost quality. They have little access to modern equipment and techniques and lack access to finance that would help investment in enhancing outputs. It is important therefore, that any inclusive business strategy examines the root causes of poverty in any value chain assessment that it carries out.

Increasingly, poor people are facing a natural environment that has become degraded and this in turn is creating a problem with respect to their ability to continue producing where resources have become despoiled. In some cases (for example in fishing) we are seeing a serious decline in resources such that the incomes of producers are severely constrained by a lack of raw materials. It is important that inclusive business interventions are therefore consistent with the protection of the environment.

PROVIDING PEOPLE WITH AFFORDABLE AND ENVIRONMENTALLY SENSITIVE ENERGY



In India more than 400 million people lack access to electricity. Husk Power Systems is a decentralised power generation company serving rural India. It provides affordable electricity to poor, rural parts of the country through small scale generation, burning rice husks. The sale of rice husks provides a secondary income to poor rice farmers.

For \$2.20 per month households receive 40W of electricity for 6-8 hours each evening. The burning of the waste rice husks is more environmentally responsible and better for health than burning wood, kerosene, diesel or dung. Monthly subscriptions are collected by local agents, providing them with an income.

INCLUSIVE BUSINESS INTERVENTIONS

Although the barriers outlined above do severely impact poor people, they also point towards the sort of inclusive business interventions that are possible along value chains. Although such barriers are difficult for individual producers to overcome, with leverage from larger private sector actors and partnerships with other stakeholders, it is possible to address the barriers and, at the same time, increase the competitiveness of a company's value chain. Therefore inclusive business interventions should be designed to:

- Engage stakeholders to identify the needs and aspirations of individuals and communities
- Create and increase employment and incomes
- Improve the education, capacity, knowledge and skills of small suppliers
- Enhance productivity and improve quality (reducing costs and increasing revenues)
- Add value to processes and outputs to create differentiation and price premiums
- Support infrastructure to provide access to competitive markets and fair prices
- Examine new distribution opportunities than can provide opportunities for the poor
- Develop new markets and outlets for production
- Influence consumers to buy products and services associated with an inclusive business strategy
- Promote entrepreneurship, develop small businesses and help to build clusters of local economic activity



- Create sustainable secondary incomes through diversification activities (especially when production is seasonal)
- Protect or improve the environment and address resource constraints
- Introduce appropriate policies, standards and legal frameworks and enhance market institutions

Inclusive market interventions should therefore seek to reduce poverty by selecting specific market sectors that are important to the poor and that demonstrate clear opportunities for growth and accessing new or expanded markets. Initial assessments can point towards areas where inclusive business interventions can produce desirable outcomes. But such an assessment must include engagement with key actors in the specific sector or market including:

- Stakeholders that are impacted (positively or negatively)
- Small suppliers and producers (formal and informal)

- Small businesses and cooperatives in the value chain
- Local community representatives that have links to the value chain
- Women and other potentially vulnerable groups
- NGOs and other civil society organisations
- Business associations and industry bodies
- Financial institutions, including investors
- Relevant government institutions (national and local)

This stakeholder engagement will be invaluable in getting a good solid picture of the structure of the value chain along with opportunities and constraints for inclusive business. It will begin to help uncover some of the possible interventions that can alleviate poverty and create a more competitive value chain. Thus, when developing initial ideas about possible inclusive business interventions, it will be useful for companies to ask themselves a number of key questions:

- Does an inclusive business strategy with an emphasis on poverty alleviation align with core business, the nature of the value chain, social needs along the value chain, the brand and the interests of senior management and staff in the organisation?
- Where in the value chain of the lead business can we find poor people who could benefit from one or more interventions aimed at addressing the root causes of ongoing poverty?
- Can a range of identifiable stakeholders be engaged in a proactive way (including through partnerships) to leverage benefits for the poor?
- Which markets or sectors linked to the business are important to the poor as producers, processors, distributors, employees or consumers?
- Which of those markets or sectors are growing or represent opportunities for expansion, employment, income generation and small business development?
- Are there opportunities to design interventions to improve education, skills and knowledge in order to create productivity improvements, quality enhancements and price premiums?
- Are there opportunities for the improvement of physical infrastructure or the reform of markets that will bring opportunities for the poor?
- Which possible interventions are worth exploring further and might form the basis of an inclusive business strategy?

WORKING WITH SMALLHOLDERS AND CONSUMERS



Dairy company FrieslandCampina with its brand “Dutch Lady” trains and educates its milk suppliers in Vietnam, who are relatively poor smallholder farmers (12 to 15 cows), aiming to improve the quality and quantity of the milk they source. The farmers see their income rise because of the better milk which improves their lives and that of their families. The company also educates rural women and community health workers about nutrition and the importance of dairy products in the health and development of children, increasing demand.

STAGE	1	2	3	4	5	6
PROJECT CYCLE	Scoping	Value chain analysis	Project formulation	Project implementation	Impact measurement	Scaling up
ACTIVITIES	Rapid market assessment Stakeholder engagement Initial market research Possible interventions	Describing the value chain Stakeholder engagement Detailed market research Analysis of common trends	Identify entry points Multi-stakeholder engagement Design interventions Design of indicators	Partner identification Multi-stakeholder engagement Partnership agreements Continuous improvement	Change indicators Signpost indicators Lasting impact indicators Undertake evaluation	Identify barriers to scaling up Identify replication opportunities Multi-stakeholder engagement Develop solutions for scaling up
KEY OUTPUTS	Sector selection Opportunities for reform Possible interventions	Focus areas for inclusive business opportunities Designing interventions	Practical plan for interventions to create inclusive business opportunities and shared value	Measurable outcomes and impacts Ongoing innovation and improvement	Communicate impacts to stakeholders and demonstrate shared value benefits	Scaled or replicated inclusive business initiatives with long-term sustainability

Table 1: The inclusive business project cycle

PUTTING IN PLACE AN INCLUSIVE BUSINESS STRATEGY

In order to develop an inclusive business strategy, there is a need to develop a staged project cycle. Table 1 summarises six stages involving the process along with key activities and outputs. Initially, a business must work out what opportunities there are for engagement through a scoping study involving market assessment and stakeholder engagement. Where research reveals possible inclusive business interventions the business should then undertake a more detailed value chain analysis, undertaking further engagement

and detailed market research. This should allow for a more formal project formulation along with the design of interventions and indicators of success.

The project can then be implemented through partner identification, multi-stakeholder engagement and a process of continuous improvement. As with any business strategy the project will need to be evaluated through impact measurement based on key indicators. Finally, opportunities to scale up or replicate the project in order to have even greater impact should be identified. The remainder of this paper looks in more detail at these six stages.

1. SCOPING

A good starting point for an inclusive business strategy is to take an initial look at the value chain and establish where poor people might be working and if it might be possible to create new opportunities to improve the living standards of poor people and poor communities. This scoping might be considered as a market assessment with an aim to identify where further investigations, research and analysis might be fruitful. Initial questions that may be asked in the initial review include:

- Are poor people involved in the value chain and where are they?
- Are the poor active as employees or smallholders or business owners?
- Can stakeholders be consulted, over time, in a meaningful way and who are they?
- What knowledge, expertise and ideas might stakeholders and possible partners contribute to creating inclusive markets?
- Are there parts of the value chain that rely to a large extent on poor and marginalised people?
- Is the sector growing and what new employment opportunities might there be?
- Are there possibilities of jobs for women as well as marginalised and vulnerable groups?
- Are there potential productivity or quality improvements that can reduce costs and increase revenues?
- Would the poor benefit through better infrastructure and improved access to markets?
- Are there competitive niches developed through innovative small businesses that could provide new or secondary incomes?
- Are there opportunities for new distribution networks involving the poor?
- Can consumers be persuaded to pay a premium price for products and services from inclusive value chains?
- What are the possible interventions that could benefit the poor?

HELPING TO INCREASE THE PRODUCTIVITY OF FARMERS



Jain Irrigation Systems Ltd. (JISL) is a manufacturer of small scale irrigation systems. This is a spin off from its business of processing fruit and vegetables. JISL provides small farmers with micro-irrigation systems, seeds and other inputs to produce more and better crops without having to rely on traditional flood irrigation. The products are supplied through a network of 1,750 distributors. Distributors are trained by JISL. The company also works closely with local banks to help fund the new capital.

Farmers' productivity has increased, distributors receive incomes and JISL gets a secure supply chain of high quality produce. JISL also help farmers to meet the requirements of international standards associated with food safety and traceability, adding a premium to their products.

2. VALUE CHAIN ANALYSIS

Value chain analysis takes the results of the initial scoping and aims to identify how to engage with poor people and eradicate poverty whilst improving the competitiveness

of the value chain. A good starting point will be to carry out research which is able to provide an analysis of the structure of the value chain. This is summarised in Table 2:

FOCUS	ISSUES
End market and final demand	The role of retailers and wholesalers, other major players, consumer trends, demand trajectory, market opportunities, competitiveness, willingness to pay price premiums for products and services linked to inclusive business
Business environment	Business laws, policies, regulations, standards, key institutions, operating context, government priorities, human capital, international agreements, export conditions, quality of infrastructure (distribution, warehousing, transportation), anti-competitive conduct, power relationships, corruption, illegal practices, human rights abuses
Value chain relationships	How different stakeholders are organised and the different amounts of power amongst them, the nature of contracts (or lack of them), relationships, competition, cooperation, networks (formal and informal)
Coordination	Degree of cooperation between producers, involving cooperatives, business associations, trade organisations, government support and evaluation of success of cooperation, power relationships, efficiency of functional linkages
Support Services	Credit, banking, insurance, access to technology, technical assistance, social protection, education, capacity development and how the different services are accessed and paid for
Market trends	Growth of demand, interest in niche market opportunities (including fair trade, certification schemes, organic products, nutritional aspects), consumer preferences, opportunities for differentiation, availability of price premiums, demands for traceability
Business performance	Returns on investment, opportunities to upgrade performance, development of capacity, growth potential, willingness to develop new products and new markets, leaders in the sector, interest in inclusive business

Table 2: Analysing the structure of the value chain



The analysis will then go on to examine the possible interventions outlined above and also emphasise the role of developing clusters of local economic activity that can lead to long term benefits for poor communities. But as well as structure, it will also be the dynamics and operations of the value chain that will be important. This will include considering power relationships and how the benefits of the value chain as a whole are distributed as well as important market trends. Specific factors to analyse will include:

- Dominance of certain actors at different levels in the value chain
- Concentration of the market and where some companies have significant power to set prices and conditions outside normal market mechanisms
- Distribution of value – who in the value chain receives what share of the benefits along the value chain?
- The role and behaviour of large scale distributors and retailers (especially if their strategy is to try and push down prices, thus affecting the margins of smallholders)
- Strengthening power of producer organisations and cooperatives (which might be able to rebalance some of the value chain relationships)
- Consumer and market demands (e.g. a growing trend towards the traceability of products)
- Growth in certain segments where differentiation and price premiums might be possible (e.g. organic, fair trade and ethical markets)
- Concerns over the environment and resources (e.g. deforestation, over-fishing, pollution, access to water, climate change)
- Gender participation including incomes, status, enterprise development, access to resources, land rights

As noted earlier, the inclusive business strategy development should put stakeholders at the heart of the planning process. Therefore, the analysis should include ongoing engagement with as many stakeholders as possible. In dialogue with stakeholders, opportunities (and challenges) should be discussed including an emphasis on creating new market opportunities, opportunities for increased incomes, employment creation, adding value to the production process, diversification of income sources, capacity building and training.

There should also be a clear mapping of the flows of commodities, flows of financial resources, creation of value, power relations, possible domination of certain actors and identification of possible opportunities for inclusive business interventions. New opportunities should be identified that are feasible for small producers and appropriate entry points for interventions need to be defined.

The analysis will identify opportunities and the design of interventions aimed at:

- Increasing revenues through price and quantity improvements
- Reducing costs (increasing margins) through technology or changing working practices leading to increases in productivity
- Product improvements, adding value in a way that will attract more demand and/or price premiums

- New products that will attract new consumers (competitive niches)
- Redistribution of benefits (e.g. by increasing the power of suppliers) and improved coordination of small producers and processors
- Growing the market in size and thereby increasing employment
- Contributions to local clusters of economic development
- Engagement with policy makers and local and national government institutions
- Capacity development, business services, technology and access to finance
- Creating enabling environments, partnership platforms, multi-stakeholder initiatives that support inclusive business
- Addressing broader sustainability challenges including environmental concerns, disaster resilience and human rights issues

Once interventions are developed, there is a need to measure and verify if the interventions lead to the anticipated changes. Appropriate indicators need to be designed for each of the major interventions. These are dealt with in stage 5.

CREATING SHARED VALUE THROUGH CLUSTERS OF ECONOMIC ACTIVITY



Nigerian based Furniture Makers Village (FVL) set up a local furniture manufacturing cluster, which combines factory spaces, workshop units, housing for entrepreneurs, employees and their families, as well as a showroom and retail unit for business-to-business and business-to-consumer sales at one location.

The project directly benefits individual craftsmen and small and medium furniture enterprises by providing access to infrastructure (e.g. housing, workspaces, and electricity), equipment (e.g. machinery required for the production of standardised and high quality furniture), skills development and markets. In the past these factors currently constrained the economic situation for many of the craftsmen due to geographical fragmentation of the value chain. As a result many craftsmen faced difficulties in earning a living wage for themselves and their dependents.

SMALL FARMERS, THE EMPOWERMENT OF WOMEN AND DISASTER PREPAREDNESS



Sarangani CocoTech is a rapidly expanding business that produces geotextiles from waste coconut husks in the Philippines. This growing and profitable business has created an additional income stream for poor coconut farmers, helped to empower rural women who weave the mats, and reduced waste. The mats can be used in areas where there is soil erosion and where there is a risk of landslides as a result of typhoon activity. The shared value approach focuses on poverty alleviation, women's empowerment and disaster preparedness.

DELIVERING ORGANIC PRODUCTS AND CREATING JOBS FOR WOMEN



L'occitane en Provence runs a programme for traditional shea butter production in Burkina Faso. The project, which aims to improve working conditions of female shea butter nut pickers and processors, encourages young women to enter the shea butter industry, and at the same time, reduce the environmental impacts of processing.

L'occitane aims to achieve 100% organic production of shea butter and establish a soap factory that allows women to develop their own processed products through a system of participatory management, providing added value and additional income generating opportunities. To date the programme has benefited 9,700 women and improved environmental performance.

3. PROJECT FORMULATION

Inclusive business interventions are most likely to be successful when the strategy is well formulated. Thus it is important that different interventions are considered and stakeholders continue to be engaged in the formulation process. Wherever possible multiple interventions should be considered that can work together to achieved the desired outcomes. Interventions may also need to be supported through changes in the regulatory environment, the building of new capacity and infrastructure improvements.

Table 3 summarises a range of possible entry points for interventions. The focus of any intervention should be on poverty alleviation and increasing the competitiveness of the value chain in a way that creates shared value. Whilst not exhaustive this table can provide a checklist of possible issues to consider when designing interventions as well as examining the institutions that are likely to have to take the lead and manage any planned intervention.

ENTRY POINT	ISSUES TO CONSIDER
LEAD COMPANIES	<ul style="list-style-type: none"> Commitment to inclusive business in supply chains Interest in productivity and quality improvements New market entry strategies New markets for outputs Local or ethical sources strategies Development of standards and certification schemes Entering into longer term contracts with suppliers Informing the consumer about the challenges affecting the industry
GOVERNMENT	<ul style="list-style-type: none"> Capacity development for small business support and development Policy dialogue and reform opportunities Legal and regulatory reform, supporting inclusive business Support for standards and certification schemes Tax incentives
PRODUCERS AND SUPPLIERS	<ul style="list-style-type: none"> Capacity development and education Increasing productivity through technology and know-how Small business development and entrepreneurship support Building and strengthening cooperatives and producer associations Access to finance, markets, technology and information Opportunities for diversification and secondary incomes Longer term contracts with suppliers to better share risks Development of traceability mechanisms
DISTRIBUTORS	<ul style="list-style-type: none"> New inclusive ways of distributing goods involving poor people Channels of distribution to the poor
CONSUMERS	<ul style="list-style-type: none"> Capacity development and education around poverty Building consumer associations that support inclusive business
CIVIL SOCIETY ORGANISATIONS	<ul style="list-style-type: none"> Capacity development Social business opportunities Cooperation with other stakeholder and involvement in multi-stakeholder initiatives

Table 3: Issues to consider when designing interventions

CAPACITY BUILDING AND FINANCING



Dialog Telekom is Sri Lanka's leading telecommunications provider. It reaches underserved users by working with 40,000 small scale retailers who sell products, SIM cards and reloads. Most stores open 13 hours a day and employ on average 1.8 people.

Dialog provides business skills training and access to financing for the small enterprises to further grow. This has developed a strong and loyal distribution network for Dialog and increased incomes for storekeepers. Dialog's activities also expand access to affordable telecommunications, important to people in poor rural areas.

Developing effective interventions will often have to be supported through changes in the enabling business environment. As the project is being formulated there are four main priority areas that will need to be considered:

- **Regulations:** The development of an efficient and effective regulatory environment with appropriate legal frameworks, properly implemented that can support the validity of contracts, property rights, access to resources, land rights and human rights.
- **Capacity:** Support for smallholders, small businesses and local communities, aimed at building skills and knowledge for local suppliers through education, training and technical assistance and building entrepreneurial and business management capabilities.
- **Infrastructure:** Investment in basic infrastructure, maintenance of infrastructure and enhancing transport and distribution services to help small suppliers transport goods and get access to markets in an efficient way.
- **Standards:** The development of codes of conduct, business norms and certification schemes that can reward producers for their efforts and encourage consumers to pay a price premium.

The most appropriate entry point will depend in part on the willingness of actors to participate. In order to get better buy-in and improved coordination, the stakeholder engagement process can be extended to develop active multi-stakeholder initiatives (MSIs). MSIs can make an important contribution to formulating, implementing and further developing inclusive business strategies. This is increasingly important where global value chains are beyond the reach of individual governments who cannot regulate international markets.

Well designed MSIs can combine the capacities and resources of several stakeholder groups to respond to key challenges in a particular market sector. MSIs will perform a range of functions that are likely to evolve as the stakeholder process develops. These will include:

- Developing an awareness about social and environmental issues in an industry and communicating both challenges and possible solutions to a wide range of stakeholders (including customers)
- Bringing different stakeholders together to work on defining and analysing sustainability problems and finding solutions to challenges
- Openly discussing different perspectives on challenges in an industry and developing mutual understanding, respect and trust in order to enhance possible cooperative strategies
- Sharing possible solutions to challenges and developing new opportunities for more responsible, inclusive and sustainable strategies at an industry level
- Creating learning, training and capacity building opportunities across the value chain with an emphasis on building capacity amongst vulnerable and marginalised groups
- Setting industry level standards that are recognised by all stakeholders and which can leverage better practices along the whole value chain, linked to certification, accreditation and verification
- Developing and piloting possible solutions to the challenges identified and creating a platform for ongoing experimentation and innovation.

ENGAGING MULTI-STAKEHOLDER INITIATIVES (MSIS)



The aim of the Roundtable on Responsible Soy is to encourage current and future soybean to be produced in a responsible manner to reduce social and environmental impacts while improving the economic status for producers.

This is achieved through:

- The commitment of all stakeholders involved in the value chain of soybean
- The development, implementation and verification of a global standard

The objectives of the MSI are to:

- Facilitate a global dialogue on soy that is economically viable, socially equitable and environmentally sound
- Reach consensus among key stakeholders and players linked to the soy industry
- Act as Forum to develop and promote a standard of sustainability for the production, processing, trading and use of soy
- Act as an internationally recognized forum for the monitoring of global soy production in terms of sustainability
- Mobilise diverse sectors interested in participating in the MSI process.

4. PROJECT IMPLEMENTATION

The guiding principle for project implementation is that it should facilitate changes in the market system so inclusive business interventions are successful leading to increased value chain competitiveness and poverty alleviation. Working alongside other partners or through MSIs lead businesses can provide resources, skills, knowledge and technical assistance to the different market actors. Effective partners should be easy to engage if they have been well identified through the stakeholder engagement process. Key questions to answer at the implementation stage will include:

- How will potential partners be selected and engaged in the inclusive business process?
- Is there a need for specific sector or geographical expertise in order to better understand value chain linkages and operations?
- Is there a need to engage external parties for training and capacity building and to help with technical assistance?
- Is there a need for expertise to promote better engagement with women, indigenous people, vulnerable and marginalised groups?
- Are indigenous language skills required?

Although potential partners may have already been identified through the stakeholder engagement process, there will still be a need to ensure transparency in final partner selection. There will need to be a public request for proposals and partners will need to demonstrate expertise and competence. In many cases, trust and confidence will be built if partners are selected with the consent of multi-stakeholder groups.

Written agreements will be needed with partners in order to formalise roles and responsibilities and agree on implementation steps. Contracts should be put in place and there should be clear agreement on financial management.

Continuous multi-stakeholder engagement will help to ensure that the project is progressing and that challenges are addressed in an effective and timely way. MSIs can often be very successful in bringing stakeholders together, defining challenges, sharing different perspectives and finding effective solutions. But the impact of the MSI for the intended beneficiaries (including improved working conditions, increasing incomes of smallholders, human rights improvements and biodiversity protection) are often not well researched or evaluated. It is important to perform periodic impact assessments of MSIs and in most cases we need more information in order to understand the best way to invest limited resources.

A successful inclusive business initiative should develop over time, as the impacts of different interventions are better understood. As noted previously, there needs to be a good degree of flexibility built into the implementation stage since it is often the case that we do not fully understand how interventions will work (or not). With this in mind there needs to be a degree of continuous improvement built into an inclusive business strategy. It will be important to ensure that different market actors are doing what was agreed, MSIs are effective and that there is ongoing measurement of indicators and assessment of outcomes and impacts. This requires additional periodic market research, monitoring new trends, identifying new actors in the value chain, engaging with stakeholders and considering which interventions could be scaled up (see stage 6).



5. IMPACT MEASUREMENT

Companies are increasingly aware of the importance of measuring and understanding the impact that their initiatives have on poor people, communities and other stakeholders. It is important to understand and demonstrate how investing in inclusive business strategies can transform the lives of poor people and create shared value. There are three reasons why impact measurement is vital in the inclusive business process:

- Inform new ideas and opportunities for growth and investment in inclusive business initiatives and inform new ventures and investments, identifying opportunities where impact can be increased. Businesses and their partners can use impact measurement to shape inclusive business strategies and create more efficient methods for engaging poor people.
- Identify project improvements and the potential for scalability or replication
- Engage more constructively with stakeholders through demonstrating the benefits of inclusive business models. Impact measurement can also enhance a project through increased buy-in from stakeholders, generating more opportunities and enhancing future impact. By measuring impact, businesses can understand how their objectives are changing the communities in which they operate, allowing businesses to sustain effective partnerships.

in other markets. The measurement process will help to understand which interventions are most effective and which may need to be abandoned. It is critical for businesses to evaluate the impact they have to not only ensure they are enhancing benefits associated with value chain competitiveness but also creating sustainable investments with clearly identifiable social and environmental impacts that are long-lasting for poor people.

At the project formulation stage there should already have been some consideration of the appropriate indicators for each major step in the project formulation. With experience based on rolling out the relevant

interventions these indicators can be further refined and measured. There are three types of indicators that should be considered (with different timescales) and these are summarised in Table 4:

INDICATORS	EXAMPLES
CHANGE INDICATORS (PROJECT SPECIFIC)	<p>Quantitative and qualitative indicators including:</p> <ul style="list-style-type: none"> ▪ Household incomes ▪ Revenues for smallholder and small enterprises ▪ Profits (for both the lead partner and target businesses) ▪ Small business development ▪ Opportunities for suppliers ▪ Development of distribution networks ▪ Market demand ▪ Local economic development ▪ Poverty alleviation ▪ Access to education ▪ Skills development ▪ Women's economic empowerment
SIGNPOST INDICATORS (1-3 YEARS)	<ul style="list-style-type: none"> ▪ Scale (number of targeted enterprises, households or individuals experiencing benefits) ▪ Additional income, increases in wealth ▪ Additional jobs and/or secondary incomes ▪ Empowerment of poor people with an emphasis on women, vulnerable and marginalised groups ▪ Impacts on poverty at the level of the local economy ▪ Other social and environmental benefits
LASTING IMPACT INDICATORS (3-10 YEARS)	<ul style="list-style-type: none"> ▪ Identifiable benefits for all stakeholders ▪ Sustainability of sources of income ▪ Sustainability of job creation and job diversification ▪ Satisfaction amongst market players ▪ Longer term changes in the operation of markets ▪ Market diversification and new business opportunities ▪ Sustainable development of the local economy through clusters of economic activity and social and environmental safeguards

Table 4: Indicators for impact measurement

What is important is to track the changes in the indicators that occur and identify whether such changes (positive or negative) can be attributed to the interventions. Unexpected changes are important to record in order to see if there are unintended impacts (positive or negative) associated with inclusive business interventions. It is important to

demonstrate which changes (planned or unplanned) resulted from the activities of the project and would not have happened otherwise (impact). Reporting on progress will be an important part of ongoing stakeholder engagement and will allow discussions to take place to further refine the inclusive business strategy.

DEVELOPING ENTREPRENEURSHIP AND EMPOWERING WOMEN



State Bank of India and EKO India Financial Services bring products and services to poor people without a bank account by offering financial advice and support. They have a particular focus on supporting social entrepreneurship and helping to engage women.

By building clusters of economic activity over time they plan to expand their provision of a broader range of financial services through measuring and demonstrating impacts associated with the economic empowerment of women.

6. SCALING UP

Initiatives that create shared value are relatively easy to scale. Successful inclusive business projects will create benefits for beneficiaries as well as competitiveness for businesses. Therefore, on the part of lead businesses, there is an incentive to scale-up projects that can further enhance competitiveness and profitability. Senior management will have an incentive to scale up projects that are commercially successful whilst simultaneously meeting social needs.

Nevertheless there are barriers to scaling up inclusive business initiatives. One relates to the opportunity cost of investments. With limited resources available, businesses will nevertheless have to make choices about how to use their capital. It may be that whilst inclusive business initiatives are profitable, other initiatives could be even more profitable. Business leaders will clearly have to be convinced that there are other benefits associated with inclusive business initiatives. These might include brand and reputational benefits or the opportunity to grow new markets leading to commercial success over a longer period.

Scaling up inclusive business initiatives also requires capacity both within the lead business and amongst partners. A lack of capacity, including knowledge, expertise and personnel can create a significant barrier to scaling up projects. Therefore, at an early stage it can be beneficial to carefully examine how some of that capacity can be developed and shared as the inclusive business initiative expands.

There are other external barriers to scalability that will need to be tackled. These might include:

- Insufficient market information and transparency which can cause markets to fail and allow for exploitation of vulnerable groups

- Inadequate infrastructure to grow businesses creating physical barriers to trade in goods and services
- Dominance of an informal sector and poor governance, limiting the ability of markets to work and avoiding regulations and employment laws
- Ineffective and poorly implemented regulation, meaning that illegal, unethical and corrupt practices continue, negatively impacting poor people
- Vested interests from powerful groups of people preventing change and limiting the success of the inclusive business initiative
- Difficulties over access to finance in regions or markets that are deemed to be risk and consequent cash flow barriers for the scaling up of economic activity

There are nevertheless potential solutions to overcoming such barriers. The sooner the potential barriers are identified, the sooner solutions can be found. That is not to suggest that such solutions will be easy to implement. Many barriers are deeply embedded and because of this the scalability process can be slower than desired. Such solutions include:

- Planning better for scalability at the formulation and implementation stages. Multi-stakeholder approaches can leverage solutions to barriers and will reduce the likelihood of surprises and help to find solutions to overcoming barriers.
- Accepting that ambitious initiatives may need to be balanced with more incremental approaches in order to reduce risk and get buy-in from stakeholders who may feel they are disadvantaged by change.

- Obtaining senior management buy-in for inclusive business initiatives as part of a broader approach to CSR and sustainability that will help to unlock internal investments.
- Measuring the total value and impact of the inclusive business initiative including brand, reputation and trust for the lead business into the long term.
- Finding additional finance from outside investors interested in positive impacts on development. In some cases such investors will accept lower rates of return reducing opportunity costs of investments.
- Adjusting performance targets associated with investment to ensure that development impacts are internalised and the social and environmental impacts are properly measured.
- Hiring new capacity to meet inclusive business needs by carefully considering what particular needs are required for effective project implementation and scalability. In addition, supporting professional development of staff to build inclusive business capabilities.
- Creating dedicated teams to roll out inclusive business projects and develop regional and sector expertise that might form consulting opportunities, new business start-ups and new partnerships.
- Utilising external partners with complementary assets, skills, resources and time, and investing in helping such organisations build capacity to expand their skills sets, involving more people.
- Developing partnerships with financial institutions to help to deal with credit and finance issues and help to reduce the “informality” of many actors. Investigating innovative ways of increasing financial inclusion of poor people.
- Working with government on regulation, standards and implementation and advocating changes that may be required to facilitate inclusive business solutions.
- Investing in physical infrastructure as part of the project implementation in order to overcome barriers associated with distribution and transportation.

ADVOCATING INNOVATIVE ALTERNATIVES TO BANK THE POOR



Approximately 80% of the Cambodian population are in rural areas, and 35% live beneath the poverty line. There are an estimated 50,000 bank accounts in a country of 14 million people. Unlike other countries, there is no widespread electronic banking network, and there are only around 200 ATMs in the entire country.

WING was established to enable mobile phone payment capabilities in emerging markets. The WING customer base is primarily the un-banked of Cambodia. WING has focused on providing a service to garment workers, and other rural-originated customers who have travelled to urban centres for work. The WING product provides them with a safe, affordable and fast way to transfer money to their relatives who rely on this remittance flow for education, housing and other staples.

ANZ originally established the WING product. They have worked in a number of developing countries alongside government advocating for changes in the law to permit mobile phone banking.

CONCLUSIONS

This paper has demonstrated how it is possible to create shared value through inclusive business strategies. It lays out the rationale for inclusive business and how a company can use its value chain to create opportunities for poor people and communities. Through this process the private sector can contribute to development, alleviate poverty whilst simultaneously creating competitiveness and economic success. Thus inclusive business is a powerful model that introduces innovative ways to integrate poor people into the value chain of existing businesses.

There is no one approach to creating shared value through inclusive business interventions. There is a need to look carefully at the nature of the value chain and carefully design interventions that can benefit poor people. We do not have all the answers and therefore it is important to keep testing and refining interventions to find the most effective combination. There are many opportunities to create

social and environmental value whilst increasing the competitiveness of the value chain of a company, that is, as part of the “core business” strategy. This paper contributes to a growing interest in the inclusive business approach as a comprehensive, inclusive and sustainable market-based solution developed with the direct participation of the private sector and a range of committed stakeholders.

The shared value philosophy advocates meeting social needs in a way that creates commercial success. Inclusive business approaches are consistent with that vision, seeking to end poverty and to boost prosperity for poor people and the lead business. Inclusive business is a valuable contribution to sustainable development and this paper provides us with a roadmap to help us get there. In the end, the objective is clear: The private sector has an important role in creating positive social impact through poverty reduction, shaping markets and facilitating new opportunities.

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