

Kick-off meeting on

How can inclusive business strategies contribute to inclusive development in Sub-Saharan Africa?

ESAMI Campus, Arusha, Tanzania, 20-21 March 2015

Introduction

The Rotterdam School of Management (RSM) - Erasmus University, in partnership with the Netherlands-African Business Council (NABC) and The Eastern and Southern Management Institute (ESAMI), are the main consortium partners of the research project “How can Inclusive Business Strategies Contribute to Inclusive Development in Sub-Saharan Africa?” The research project is part of the research agenda of the Knowledge Platform Development Policies and is funded by the Dutch Ministry of Foreign Affairs through NWO/WOTRO. The research consortium, led by Prof. Rob van Tulder of the RSM held a project kick off workshop on the 20th and 21st March 2015 in Arusha, Tanzania. Twenty-eight participants from different organisations attended as follows. ESAMI was well represented with one representative from each of its branches in Ethiopia, Kenya, Tanzania, Uganda, Rwanda and Mozambique. Further, each of the following organisations had one representative in the workshop: the Dutch Embassy, Uganda; Rafiki Microfinance (Subsidiary of Chase Bank)-Kenya; Barefoot Power, Uganda; PUM Netherlands; SNV World Arusha, Tanzania; ; FAWE Mozambique; ICCO-Uganda; National Microfinance Bank, Tanzania; AERC (INCLUDE Platform Knowledge Secretariat), Kenya; Sister's Self Help Association (SSHA), Ethiopia; AMREF-Tanzania; NABC-Netherlands; and Roskar Travel, Kenya. In addition, Safaricom Ltd., Kenya and Rotterdam School of Management, Netherlands had two representatives each.

This project intends to prove that inclusiveness has verifiable advantages for building a more sustainable business in Africa. In the first year of the project the concept and meaning of ‘inclusiveness’ will be refined. The practical steps in the planning of the study are a) zero measurement (where does my organization stand on inclusiveness? – to determine to what extent partners have applied a change mode), b) surveys (gaps in sectors, issues and countries will be tackled), c) stakeholder meetings, d) interventions [the action research will include interventions followed by track keeping], e) change trajectories, f) interviews and g) final interventions/change trajectories/stakeholder meetings. In the 30 months of the project these stages will be followed: I) indicator development, II) barriers check, III) joint issue identification, IV) internal survey, V) executive course(s) and VI) reporting and sharing. For details please find attached documents.

The kick-off meeting aimed to familiarise all partners with the project – its planning, the expected input and its goals - and to meet all consortium partners. This event also aimed to

gain input via the questionnaire and several discussions. The executive training was a first training for the partners to learn about the strategic importance of inclusiveness in business models and the zero measurement gave the partners insight of their position on the inclusiveness scale.

DAY ONE

Introduction and expectations of the delegates

All delegates introduced themselves, expressed their expectations of the project and shared their current understanding of inclusiveness. The delegates expressed a desire to learn more about inclusiveness as it is still a new terminology in business.

Brief experiences of Partners regarding inclusive business strategies

Each partner at the meeting had a brief moment to share their experiences with inclusiveness. Rafiki Microfinance, for instance, has partnered with FMO and Rabobank. This move would enable Rafiki microfinance to solidify its capital base in order to serve lower income people with financial services. The SSH which is a self-help organization is addressing their activities to small scale businesses. The Interchurch Cooperative for Development Cooperation (ICCO) focuses on youth and other marginalised persons in Uganda to improve social welfare in areas of food and nutrition security, education among others. FAWE has signed a partnership with the Ministry of Education in order to strengthen its position and help more girls access education. The SNV World - Tanzania through the Agriculture Value Chain Development Approach fosters economic development and poverty reduction through a value chain development approach on edible oil seeds, livestock/red meat, dairy and rice sub-sectors to increase income and create employment for small scale farmers and producers.

Opening Session

The acting Director of Esami, Ms Sheila Mziray gave the welcoming remarks. In her address Ms Mziray appreciated NWO/WOTRO funding of the project, and was pleased that Esami was a partner in the project. On behalf of the Esami management, Ms Mziray pledged cooperation and goodwill towards the project. After her brief address, Ms Mziray welcomed the guest of honour - Mr George Yambesi who is the Permanent Secretary; Public Service Management of



the United Republic of Tanzania. Mr Yambesi is also a member of the Esami board. In his address the chief guest pointed out that inclusive businesses are important because they integrate the poor into the value chain. He further added that within the narrative of “Africa rising”, the question is how to create inclusive business models for improvement of people’s well-being. According to the chief guest, there is need to understand how businesses will deliver social benefits and to also find out whether there are good practices to learn from. Additionally, from a government point of view, the guest of honour noted that it is of great importance to know what regulations are required to make sure that corporate businesses contribute to social wellbeing. Such regulations would feed in to policy making in a bid to ensure that businesses contribute positively to socio economic development.

Presentation one: Get included, get inclusive! By Prof. Rob van Tulder

The leader of this research consortium, Prof. Rob van Tulder made a presentation on principles of inclusive businesses drawing on the book *Doing business in Africa: A strategic guide for entrepreneurs*. He pointed out that both in the literature and in development discourse, the trend globally is moving towards inclusivity of businesses. *Inclusiveness is not a luxury but a necessity and that new dynamics require new approaches.* Inclusiveness is not just about poor people but also involves other stakeholders. This was evident in Dutch big firms, which are experimenting with becoming inclusive by moving beyond CSR. The firms view inclusiveness as a means of becoming more competitive. Because laws and regulations on inclusivity are still at an elementary stage, this study has an opportunity to contribute to the laws based on evidence of business models that are inclusive. Rob posed the question of whether existence of a number of inclusive businesses necessarily means inclusive development. Inclusive development occurs when average achievements on income and non-income dimensions of well-being (as reflected in the HDI) improve and inequalities in all these achievements fall. The rest of the presentation explained what inclusive growth is, concepts and indicators of inclusive growth, link between inclusive businesses and inclusive growth, stakeholders in the research consortium, and extensively discussed the reasons that companies should bother to be inclusive. He concluded by discussing the multidimensional priorities the research would take for each of the six countries in the research consortium.

Presentation two: Country profiles: Kenya and Rwanda by Joy Kiuru

In recognition that country context is important in understanding inclusive businesses, inclusive growth and inclusive development, the presentation provided information on Kenya and Rwanda. The profiles focused on macroeconomic dimensions such as economic growth, GDP per capita, levels of poverty and demographic dynamics; and market data such as access to water, electricity and income. The presenter also discussed ease of doing business, opportunities and risks of doing business and the role of a growing middle class in Kenya and Rwanda.



Rob Van Tulder gave his presentations

Presentation three: Inclusive Business Models by Stephen Batiye Kasule

The presentation focused on how the Dutch Embassy in Uganda has contributed to inclusive businesses and development through inclusive business models and benefited farmers, women, youth and businesses. The Embassy focuses on geographical locations with maximal poverty reduction and works towards sustained agribusiness development and investment facilitation that connects business hubs as converged solutions to development challenges. The presentation provided evidence of positive results for businesses and farmers. To achieve this, the Embassy works with different partners especially in implementation of projects through Public Private Partnerships (PPPs) among other strategies. One ongoing initiative is lobbying the GoU to establish an authority to facilitate implementation of sanitary and phytosanitary measures so that fresh produce from Uganda can be sold in the EU. The Embassy is also working with Trade Mark East Africa Company to facilitate trade between East African countries and to bring different firms and businesses together to create inclusive growth. In doing so, in terms of economic cooperation, the Embassy is implementing the Minister's agenda of moving from aid to trade. The aim is to use aid to enable businesses and therefore contributing to the inclusive agenda.

Presentation five: ICCO Cooperation Strategy 2020 by David Marko Kamukama

The presentation highlighted the ICCO Cooperation Strategy 2020 which focuses on business incubation, acceleration and investment development. The ICCO Corporation strategy is based on two pillars: securing sustainable livelihoods and justice and dignity for all. The focus is on the 'missing middle' because the added value of investments is highest in this group. In addition to

providing capital, the strategy is based on ‘pipeline and deal flow’ approach, which involves pre-investment and post-investment processes. The presenter also explained the intended outcomes of the business incubation and development project.

Presentation six: SNV World, Tanzania by Tom Ole Sakar

The presentation focused on SNV’s work on inclusive business market-based solutions for poverty reduction. The first part of the presentation was on the history of SNV including when started its operations in Tanzania, its objectives and purposes, and the advantages that SNV has in dealing with inclusive development. The presentation also discussed areas-WASH, renewable energy and agriculture, emphasising on the partnership between the SNV local and international team with local partners to attain its objectives. The presenter discussed some of the projects that SNV has facilitated in WASH, renewable energy and in agriculture. An example of inclusive business in agriculture is Tanga fresh Ltd. (a dairy firm) whose objective is on integrating smallholders. In conclusion, the presenter emphasised that SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development and enumerated the main benefits of inclusive businesses, essentially, a win-win situation for all partners involved.

Presentation seven: Inclusive business strategies by Anne Kareithi, Roskar Travels

The presentation was on how Roskar travels, a small enterprise relates to the notion of inclusive businesses. The enterprise contributed to inclusive development by providing ticketing and other transport services to travellers who go to distant places to buy goods at a cheaper price and resell them to those at the bottom of the pyramid at a lower price. Other contributions to inclusive development through human development and sound environmental management practices. The presenter concluded that every business can contribute to inclusive development and Roskar Travels was willing to learn how this can be achieved through participation in the research consortium activities.

Presentation eight: by David Masai, Rafiki Microfinance, Kenya

The presenter explained the story of Rafiki micro-finance, which is part of Chase Bank Group and its contribution to inclusive development by financing over 8,000 enterprises, which have created over 24,000 jobs, and lobbying with other partners for review of the MFI Act and Regulations in Kenya. This is based on the firm’s belief that inclusive business models build bridges between business and the poor for mutual benefit. Inclusive business models, for example, include innovation and youth empowerment. To achieve this, Rafiki Microfinance focuses on the ‘Missing Middle’ retail and business-banking client segments by positing a ‘commercial microfinance’ model.

Discussion

A brief discussion followed the foregoing presentations. The discussion was on the following questions raised by some delegates.

- In the context of inclusive businesses models, how about public goods investments?
- What has been Rafiki Microfinance's experience with the view that micro-finance does not work especially for the very poor?
- Where does the issue of human rights fall within inclusive business agenda?

Afternoon session

Presentation one: Inclusive businesses in detail by Rob van Tulder

Rob van Tulder discussed the details of the research project. Emphasis was on the concept of inclusive businesses. He discussed identification of inclusive businesses; managing the transition to a sustainable enterprise; extrinsic and intrinsic models; the CSR model and its weaknesses; strategic business models; shared value creation; and the role of triggering event in change of approach. During the presentation, Rob also discussed how to manage transitions to more inclusiveness and emphasised that *Partnerships are crucial to make you become more inclusive* and the various models for operationalising inclusive business models in Africa including inclusive supply chains, inclusive HRM, inclusive finance, frugal innovation, and inclusive marketing.

Presentation two: The imperative for inclusiveness by Michael Munkumba

The presentation was on the imperative for inclusiveness from the perspective of those who have to be included (bottom of the pyramid) through examples of companies such as Parabola based in South Africa. The presenter highlighted the divergent perceptions between businesses, which consider themselves inclusive, and those at the bottom of the pyramid, who usually, have negative perceptions of the firms. Due to this divergence, he provided examples of instances when workers have protested against businesses because they felt that they were being exploited. He posed the question of whether the idea of inclusive businesses is the solution to such divergence, or whether it is sanitising bad business practices. If inclusive business models are a solution, then how scaling up could be done.

As feedback this presentation questions were asked about what happens in case the government is involved in business, in case of state-owned businesses in Ethiopia or when government policies and big firms are married to the detriment of SMEs, and what the responses of the UN and continental bodies are on inclusive development is. Safaricom mentions that the firm has created specific packages for smallholder within its value proposition and that the government has a minority share (25-35%). In response, it has been pointed out that partnership between companies (private goods), governments (public goods)

and civil society organisations (social goods) are necessary for inclusive development to be attained.

Presentation three: The research approach and way forward by Addisu Lashitew

The presentation focused on the research process, approach, and what the consortium intends to do. The presenter explained the project background and discussed the concept of inclusiveness concept and its indicators. The indicators include Gini coefficient, unemployment, poverty headcount, poverty gap index, life expectancy, gender income gap, gender enrolment and employment ratio, relevant income, school enrolment ratios. He discussed the three dimensions of inclusive businesses-strategic commitment (intent), operational soundness (process) and Impact (outcome). The presenter also described members of the research consortium and noted that the project covers Ethiopia, Kenya, Mozambique, Rwanda, Uganda and Tanzania. In addition, the presenter outlined the project goals and the six steps the research will follow to achieve these goals (see introduction). The last section of the presentation involved discussion of the questionnaire that the research would use to gather data and filling in the questionnaire by all participants.

DAY TWO - Executive training

Session one

This session involved finalisation of filling in the questionnaire that the research consortium would use to gather data, especially for those participants who did not complete filling it in the previous day. Information that has been collected with the questionnaire includes the following: general information about the partners, such as size in terms of employees, primary sector of the organisation's operations, the legal status, the products, the organisation's vision and mission; information about the level of inclusiveness per functional level (management, HR, finance, supply chain, sales and marketing) of the organisation; and information on the organisation's collaboration and partnerships; and information on the organisation's benefits per social group. This information will give insight into the organisation's common attitude regarding inclusive business among different functional areas and into the extent to which its intent corresponds to the realisation of achieving inclusiveness.

The survey has been built on previous researches on inclusive business. The main question is how to measure inclusivity. The Dow Jones Sustainability report (DJSI), for instance, is one of the researches that has been used for this survey, although the indicators DJSI uses have been kept secret. At the end of the day, we have gathered lots of indicators, based on other studies, and added new indicators which are sector or country specific.

Session two

During this session, Rob van Tulder made a brief presentation on the functional of inclusive businesses and the strategic choices available to firms. The considerations for making strategic choices include understanding the difference between intent and realisation ("*the more motivated you are to achieve something, the more likely you will get paralyzed. Intent and realization do not always match*"), creation of an interesting/inspiring value proposition (theory of change/identity), aligning with stakeholders at the right time, materiality, finding answers to exclusion problems related to groups of actors, mastering tipping points, and creation of coherent strategies. He reiterated that this requires a '*movement from what to how and finally to why*' and discussed various business models and value proposition through appropriate examples.

Within the development of an inclusive business model, it is the value proposition that matters as companies are there to benefit to society. A strong inclusive value proposition is resilient, inspirational and entrepreneurial and focuses on sharing customer value, enabling financial means, empowering suppliers and customers, being the most innovative and inspiring staff. Poor value propositions aims at developing the company only rather than benefitting to society. These value propositions are distinguished by a focus on being big, low wages, profit maximization and purchasing as cheap as possible.

During the last part of this session, as part of training, two cases of inclusive businesses were discussed. The first case was on the role of KTDA in inclusion of smallholder tea farmers in Kenya and the second case was on financial inclusion through Safaricom's financial services provision. For the first case, delegates discussed indicator and business model characteristics that benefit to or obstruct inclusivity, as part of training for the actual research.

Case-study KTDA

The Kenya Tea Development Agent (KTDA) case-study showed both positive and negative aspects of the business model. The delegates pointed out the smallholders' asset of being part of the ownership-structure, getting 80% of the revenue. Starting up certification schemes also contributes to inclusiveness. On the other hand, the delegates pointed at the fragilities and weaknesses of this business. Falling tea demand or rising foreign tea supplies can lead to a tea crisis due to the farmers' tea specialization. The structure is also too big to be adaptable to external market shocks. A proactive approach is needed that support diversification, such as advice to re-investment returns to mitigate risks in difficult times.

The delegates also examined what additional partnerships would be useful to promote the performance of KTDA and with which actors. Firstly, the KTDA has no formal relationship with the Government of Kenya and its Ministries, while the GoK should actively support the KTDA.

Secondly, KTDA was a potential source for Unilever aiming to purchase only products originating from sustainable sources.

The question that one of the delegates asked is if the farmers are actually benefitting from this structure as it is unclear what the return on investment is. The smallholders, here, do benefit as their income has been doubled, Is it, however, interesting what the end result is for the farmers: new partnerships can be created to reduce costs.

Presentation Safaricom by Benjamin Makai

Safaricom is originally a telecommunications provider focusing on profit, but has established a foundation that is responsible for Safaricom's CSR policy since the firm believes that social innovation develops inclusive business solutions. Some of these business solutions are not related to the core business and not viable on itself, but targets areas of education, women empowerment, green energy and agriculture. Safaricom checks how it can contribute to the needs of society. Some examples:

- Payroll solutions for SMEs, since many companies do not own an adequate ICT system;
- Short-term payments – M-pesa – an easy and cost saving way to pay your bills;
- Women in Technology internships seeking to empower women and girls to change the world by excelling in technology-related careers;
- Free Wi-Fi on selected routes enabling people to spend their time efficiently while being stuck in Nairobi traffic congestion

Discussion on target groups

At the end of the executive training, the question was which excluded groups are most relevant to include in your business plan. Rob van Tulder explained that smaller companies make a choice regarding the target group, but bigger firms and corporations focus on more target groups as has been shown by Safaricom.

SNV World supports this statement indirectly by focussing on SMEs and farmers. The SSH wants to include sick and unhealthy people in their business model and is looking to partner up with the national government to help this group in terms of food, shelter et cetera, as health provision is a public good and therefore government's responsibility. Although it is indeed the intrinsic responsibility of governments to provide health services, a firm need healthy labour force and its HR department can do two things. It either fire unhealthy employees (which is a reactive approach) or it can develop its own health schemes (a proactive approach). For instance, Heineken has an HIV/AIDS programme even though health is not Heineken's responsibility, but the safety and health of the employees is.

In conclusion, Prof. Van Tulder indicated that this was just the start of the research and they looked forward to more sharing and learning from each other through the project period and the upcoming months. An overview of the next activities and tasks in 2015:

- Quarter 2 of 2015 – organizing of an executive training (likely one day in the Netherlands and one day in Arusha, Tanzania – if need be to be extended to one and a half day each – e.g. Friday afternoon and Saturday combination) to train and validate the indicators. These sessions will be closed, yet will be open for colleagues of consortium partners. Important will be good alignment – within the training what would do the consortium partners themselves find especially important? Web-seminars may be an option.
- Summer 2015 – defining of specific issues through one or two organized stakeholder sessions (one on one meetings would also be possible). ESAMI will arrange a local session in each of the six African countries (meeting place could be either the embassy or the ESAMI campus).
- September-October 2015 – Number of surveys and interviews will take place, thus please reserve ample time in your agenda in these months. Confidential information will be generalized (e.g. ‘the marketing departments responded in such and such way’).

After these steps stakeholder dialogues will be planned and the results up to that point will be presented (validation of the model, overview of selected final issues, determine where the partners stand and compare companies in different stages). Specific attention will be given to: what interventions are possible, what could be next steps for you and have interventions worked?