Inclusiveness Issues: Priorities, Strategies and Challenges

Research note prepared as a part of the project: "Inclusive Business Models in Africa"

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Executive Summary

This research note presents the results from analysis of survey data that was collected as a part of the NWO-WOTRO research project on inclusive business models in Africa. A total of 75 businesses and NGOs from The Netherlands and six African countries participated in this survey. The survey was undertaken to arrive at improved understanding of inclusiveness issues, themes and challenges as encountered by practitioners. The results will be useful for identifying specific areas of inclusiveness for a close up study in the next stages of the research project. This note touches upon the following questions: How do organizations understand and approach inclusiveness? Are there differences across organizations in policy priority for becoming inclusive? What are targeted themes of social exclusion, and do these differ across countries? What challenges do organizations face in their efforts to become inclusive?

The responses to the survey indicate that inclusiveness is generally accorded high policy priority among participating organizations. However, sectoral comparisons indicate that NGOs give greater priority to inclusiveness than businesses. There are also important differences across industries in adopting inclusiveness. Notable diversity exists among organizations in the extent to which inclusiveness is integrated with core business operations. Some organizations by design place inclusiveness at the heart of their business models. Many others understand inclusiveness to be synonymous with "corporate social responsibility" which is not necessarily core to their operations. The survey reveals that diverse strategies are adopted for becoming inclusive, although the most important ones appear to be providing affordable products for low-income customers and value chain development.

Among different potentially excluded groups, inclusiveness efforts seem to target economic empowerment of women, poor people and small scale entrepreneurs, followed by rural inhabitants and illiterate people. The focus is mostly on improving income and productivity by means of employment creation, improving access to finance, capacity building and access to information and education.

The survey identifies a long list of internal and external challenges that practitioners face in their efforts to implement inclusiveness policies. Shortage of skilled manpower and limited financial resources are considered the two most important limiting factors. Moreover, organizational factors such lack of capacity and bureaucracy, as well as external factors such as poor infrastructure, low levels of access to energy and roads, and prohibitive laws and regulations were identified as critical obstacles.

1. Introduction

This research note presents results from the first round of data collection efforts undertaken as a part of the NWO-WOTRO research project on inclusive business models in Africa. In the second half of 2015, a questionnaire was distributed to gain insight on how participating organizations understand and approach the multi-faceted issue of "inclusiveness". The survey was underpinned by the conviction that better understanding of the strategies, challenges and priorities of participating organizations was critical for (re)shaping the research program to achieve greater impact. But it also serves as a 'zero measurement' for documenting the starting position of participating organisations. Future interventions in this action research program as well as its final research output should further build-up and benefit from the insights generated from this survey.

The project successfully elicited responses from 75 organizations. The respondents come from a wide range of industries that operate in all of the seven countries covered by the project, namely Ethiopia, Mozambique, Rwanda, Kenya, Tanzania, Uganda and The Netherlands (Table 1). The responses come from organizations that are formally involved within the research consortium, as well as from resource organizations that are participating without formal involvement. The majority (55) of these organizations surveyed were businesses whereas NGOs constituted 15 of these respondents, the remaining 5 being government agencies and inter-organizational associations.

The survey was designed by Rotterdam School of Management (RSM) on the basis of literature reviews on dimensions of inclusiveness. Appendix C provides the survey questionnaires used for data collection. The questionnaires were sent out by email in June 2015, and the last responses were received by October 2015. All responses from the Netherlands were received by email, but the national representatives from Eastern and Southern Africa Management Institute (ESAMI) personally filled in the survey in each of the African countries.

Table 1: Number of respondents by country and industry

Industry	Ethiopia	Mozam-bique	Rwanda	Kenya	Tanzania	Uganda	The Netherlands	Total
Construction		3	2		1	2	2	10
Energy		1	1	1		1		4
Finance	1			4	1	1	2	9
Food	5		1	1		3		10
Health				2	1		2	5
ICT	1		1	1	1			4
Transport & logistics			1		1	1	1	4
Other Businesses	1	1	2		1	2	2	9
NGOs	1	2			4	5	3	15
Gov't agencies & Associations		1	1	1		1	1	5
Total	9	8	9	10	10	16	13	75

The purpose of this research note is to provide an overview of the results that were generated from preliminary analysis of this survey data. The next sections of this report address a number of interrelated themes on the subject of inclusive business: inclusiveness approaches and strategies used by organizations (section 2), the policy priority of inclusiveness among organizations (section 3), targeted disadvantaged groups and exclusion issues (section 4), and challenges that organizations face in their endeavours to become inclusive (section 5).

2. Inclusiveness strategies and approaches

The front page of the survey included an exemplary definition for 'inclusive business.' Providing such a definition was deemed necessary to provide a comparable framing of the subject. Although this also have a risk of biasing the responses, it was considered important given the newness of the concept to many participants. The following definition was provided:

> *"According to UNDP, inclusive businesses are businesses that include poor people on the demand side as clients and customers, and on the supply side as employees, producers and business owners at various points in the value chain. Inclusive businesses also work actively to benefit other socially and economically disadvantaged groups such as women, ethnic and religious minorities and handicapped people."*

In order to find out how the subject of 'inclusive business' is understood and framed by participating organizations, the survey included the following inter-related questions: "What does 'inclusive business mean to your organization?" and "What are the approaches or strategies your organization uses to becoming inclusive?"

The responses to these questions showed that organizations define and frame inclusiveness in many different ways. The following summaries highlight some of the most commonly cited ways in which organizations frame the subject of inclusive business:

- Inclusive business means maximizing triple bottom-line goals of serving people and the planet while remaining profitable.
- Inclusive business means providing affordable and tailored products for disadvantaged people (e.g. loans without collateral for women, accessible financial services for low-income people, and providing advance-payment for suppliers).
- Inclusive business means economically empowering poor people at the bottom of the pyramid by giving them trainings, by hiring them directly, or by selling to them affordable products.
- Inclusive business means giving back to society (e.g. scholarships for girls, distributing solar lights, and supporting rural workers).

Inclusive business is in many cases seen as a corporate social responsibility (CSR) initiative. It is mostly among African respondents that inclusive business is characterized as the responsibility of the CSR department, whereas inclusiveness strategies appear relatively well integrated within the organization among Dutch respondents. However, many African organizations also indicate that they tailor their products to meet the needs of disadvantaged people.

A few organizations appear to be ahead of the curve in terms of promoting inclusiveness. One tourism organization, for example, defined its vision of promoting 'the five Ps' which, in addition to the triple P's of Planet, People and Profit, includes Passion and Pleasure. In contrast, a few other organizations pointed out difficulty to become inclusive, either because they do not directly operate in developing countries or because they deal only with businesses (for example logistics services or import and export business).

Targeted beneficiaries of inclusive business practices include smallholders, small businesses, poor people, communities, women and disadvantaged people. The respondents also identified a number of strategies they use for promoting inclusion such as improving access to education, inclusive finance, value chain development, inclusive/frugal innovation, and availing affordable products. Among these, making available affordable products appears to be the most widely used strategies especially in Africa, which perhaps reflects the pressing challenge of satisfying customers with low purchasing

power. Developing different aspects of the value/supply chains is also among the most frequently cited approaches for inclusiveness.

Several organizations also pointed out that they do not have clearly articulated strategies for becoming inclusive. In these cases, socially-oriented practices appear to be confined to occasional CSR initiatives. In contrast, quite a few organizations pointed out that they actively reach out to other stakeholders through partnerships to maximize social impact.

3. The policy priority of inclusiveness

An important goal of the survey was to understand the extent to which becoming inclusive was a policy/strategy priority. Therefore, the survey included a question that asks: "On a scale of one to ten, how would you evaluate the extent to which becoming 'inclusive' is a policy priority in your organization?"

The average response for this question across all respondents is 7.7. This relatively high average value suggests that participating organizations are likely to have above average awareness in societal issues. The centrality of social causes among many of the organizations is apparent from their responses which characterize being inclusive as their '*raison d'etre*' or their 'part of DNA' or their 'only way to operate.'

Figure 1 presents the average results by country. Respondents from Ethiopia and Uganda appear to give the highest level of priority for inclusiveness issues, with average responses of above 8 points. Mozambique and The Netherlands follow with average response value of 7.9. Participating organizations from Kenya report the lowest level of priority for inclusiveness, whereas those from Rwanda and Tanzania by comparison bestow moderate levels of priority for inclusiveness issues. The relatively low standard deviations (SD) indicate that there is not substantial within-country dispersion in terms of social-awareness among participating organizations. By comparison, the samples from the Netherlands and Tanzania are the most uniform, whereas those from Mozambique exhibit the largest dispersion.

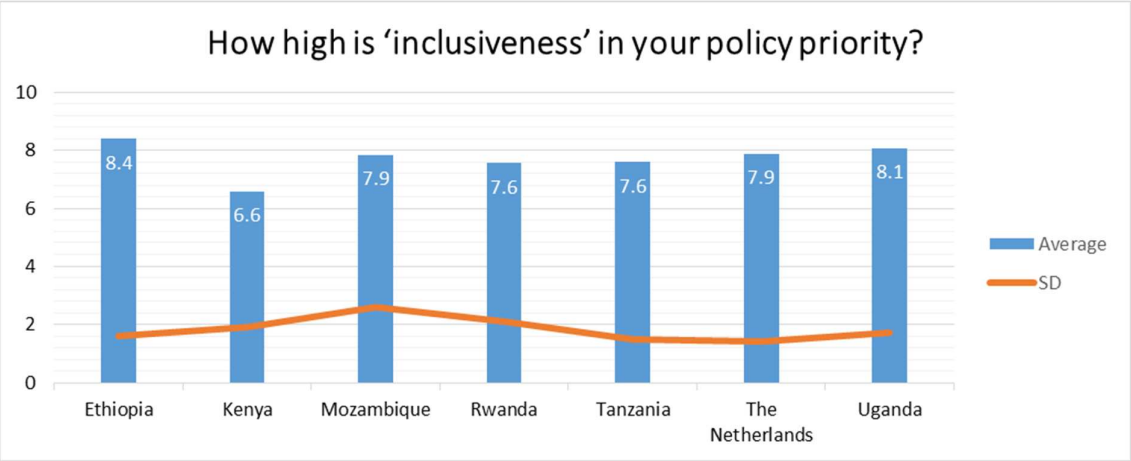


Figure 1: The importance of becoming 'inclusive' as a policy priority: results by country

It should be noted that these results cannot be used to rank countries since the small sample size per country is not representative enough to allow statistically meaningful comparison. For the most part, the average results are likely to reflect differences in selecting target companies for participation in the project. In Ethiopia, for instance, the relatively large average response is driven by the fact that nearly all of the participants are socially-conscious organizations that have conspicuously stated aspirations to achieve social impact. The inclusion of some frontrunner companies was partly by design to extract useful lessons from their experiences. Nonetheless, the responses to this question are useful for assessing where the priority of each (relatively frontrunner) organization stands in the continuum of inclusiveness, and potentially for looking into how and why these priorities change over time. Further research could also shed light on the role of institutional and other country-level context factors in the adoption of inclusiveness as a policy priority.

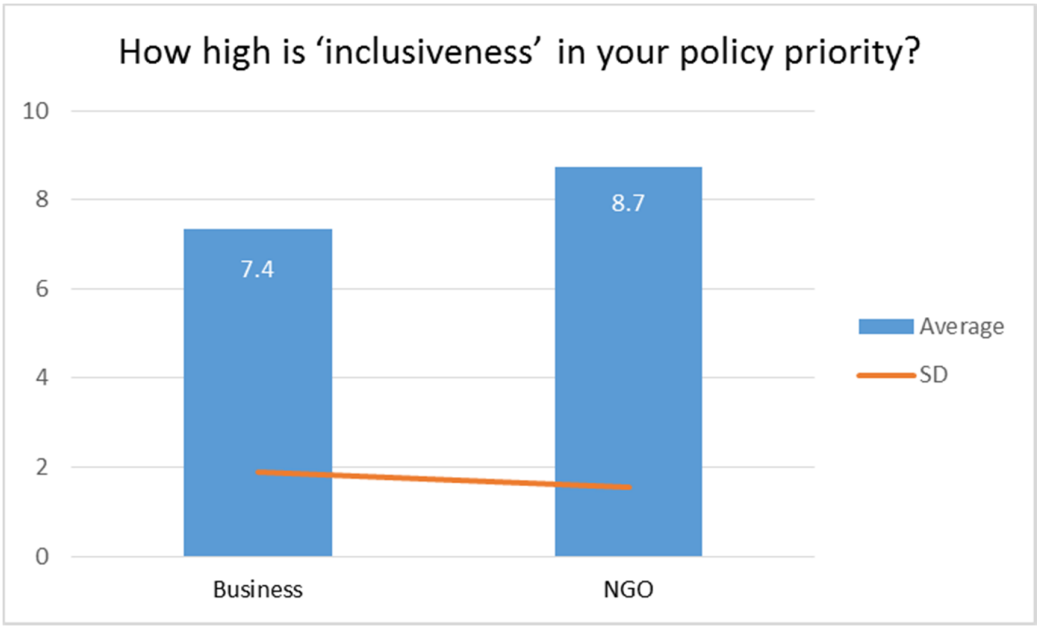


Figure 2: Policy priority of inclusiveness: Businesses vs. NGOs

Comparison of businesses and NGOs shows that NGOs give notably higher priority for inclusiveness (Figure 2). The relatively low level of standard deviation among NGOs also indicates that the adoption of inclusiveness policies is comparatively unanimous among civil society organizations than among businesses. This result confirms the pioneer role NGOs can play in promoting socially-oriented policies.

Does the priority given to inclusiveness differ among industries? To answer this question, Figure 3 further dissects the responses from businesses into industry averages. The graph indicates notable differences among industries in terms of adopting inclusiveness. The energy industry (N= 4) gives the highest level of priority for inclusiveness, followed by food (N = 10) and finance (N = 9) industries. In contrast, the transport and logistics industry (N = 4) is an outlier giving by far the lowest level of priority for inclusiveness.

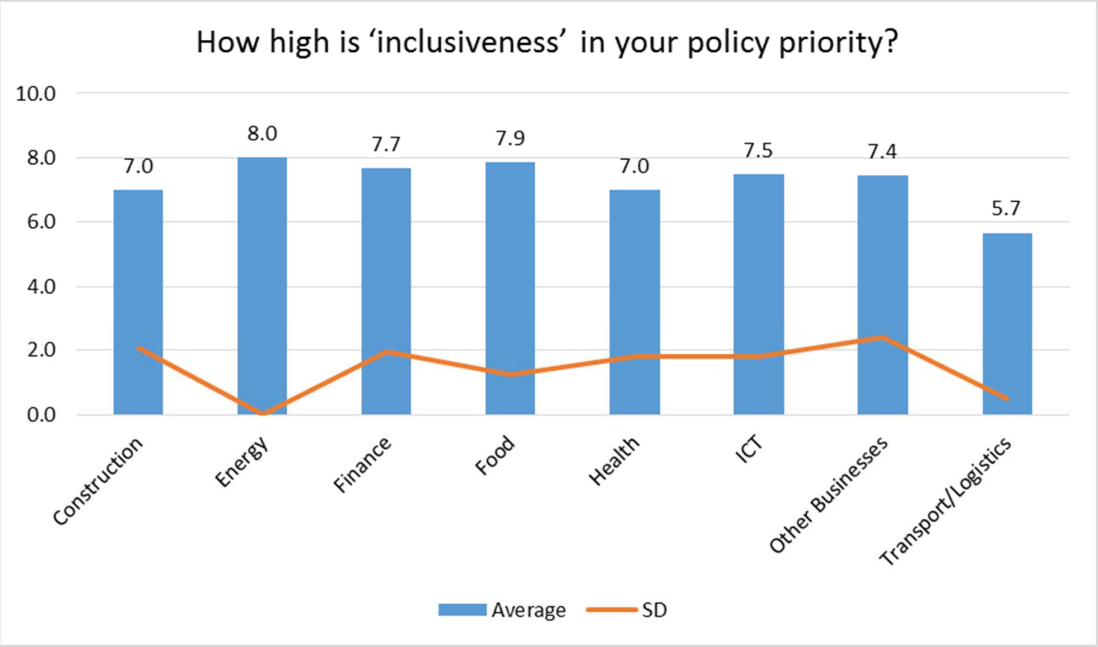


Figure 3: Policy priory of inclusiveness by industry

A potential reason for these variations is the nature of the industries, especially their proximity to and embeddedness with local communities. For example, businesses in the food industry by definition have to engage directly with farming communities from whom they source their raw materials. In contrast, industries such as transportation and logistics that often serve business customers are less likely to have strong ties with local communities. In addition, the adoption of inclusiveness themes in management discourse is likely to differ across industries, depending on their exposure and level of engagement with broader debates on social policy.

4. Targeted disadvantaged groups

To identifying the types of disadvantaged groups that participating organizations target, the survey posed the following question: 'Which potentially disadvantaged groups are most relevant for your organization?' Respondents were asked to give more than one answer when necessary.

The responses to this question across the whole sample are summarized in Figure 4. The figure shows that empowering women to ensure gender equality is considered to be the most important goal of inclusiveness. Owners of small enterprises and poor people (employees) are the next most important disadvantaged groups. The focus on these disadvantaged groups is perhaps not surprising given the high recognition given to the informal economy, poverty and gender inequities in Africa.

Next to the above-mentioned 'top-priority' disadvantaged groups, a number of other groups received intermediate level of response, indicating moderate level of priorities. These include rural inhabitants, illiterate people, medium-sized enterprises, disabled people, children and indigenous peoples. The remaining excluded groups receive relatively less recognitions as priority groups. The low-level of response give to groups such as sick people, conflict-affected people, ethnic and religious minorities suggests that issues of health, conflict and social justice are not focal areas among the organizations.

Figure 4 also allows comparing responses among African and Dutch organizations. The two groups of respondents seem to agree with the top-level priorities (women, small enterprises, and poor

people/employees). However, illiterate people seem to receive more attention among African organizations than their Dutch peers, whereas the reverse is true for medium-sized enterprises.

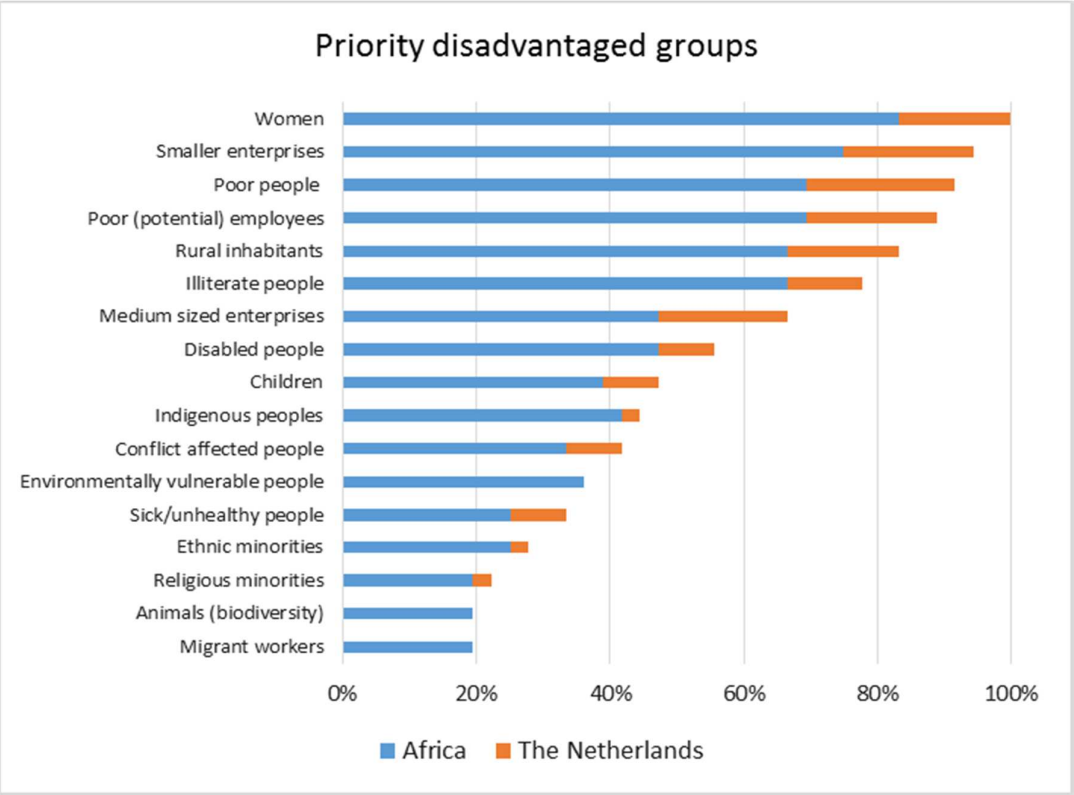


Figure 4: Priorities given to different disadvantaged groups

Note: The maximum response (100%) is 36.

Appendix A presents the results by country to allow for comparison across countries. A number important differences can be observed in these graphs. There are substantial variations across countries regarding the importance of illiterate people. Organizations from Tanzania and Uganda consider illiterate people as top priorities whereas those from Mozambique and Rwanda consider them among the least prioritized groups. Likewise, respondents from Kenya and Tanzania consider respectively disabled people and indigenous people as top priorities, although these groups fall much lower in the ranking in other African countries. There is also little consensus across countries with respect to the importance of medium sized enterprises. Furthermore, there are notable differences in general response behaviour. Organizations from Ethiopia and Rwanda seem to have clearer priorities since they appear to focus on a few disadvantaged groups. Respondents from other countries, especially Kenya and Tanzania, seem to be more eclectic in the sense that they give importance for a wider set of excluded groups.

5. Targeted exclusion issues

Another related ambition of the survey was to find out the types of exclusion issues that organizations target in their inclusiveness endeavours. It hence included a question that asks: 'Which exclusion issues are relevant for your organization's inclusiveness efforts?' Participants were advised to give more than one response when necessary.

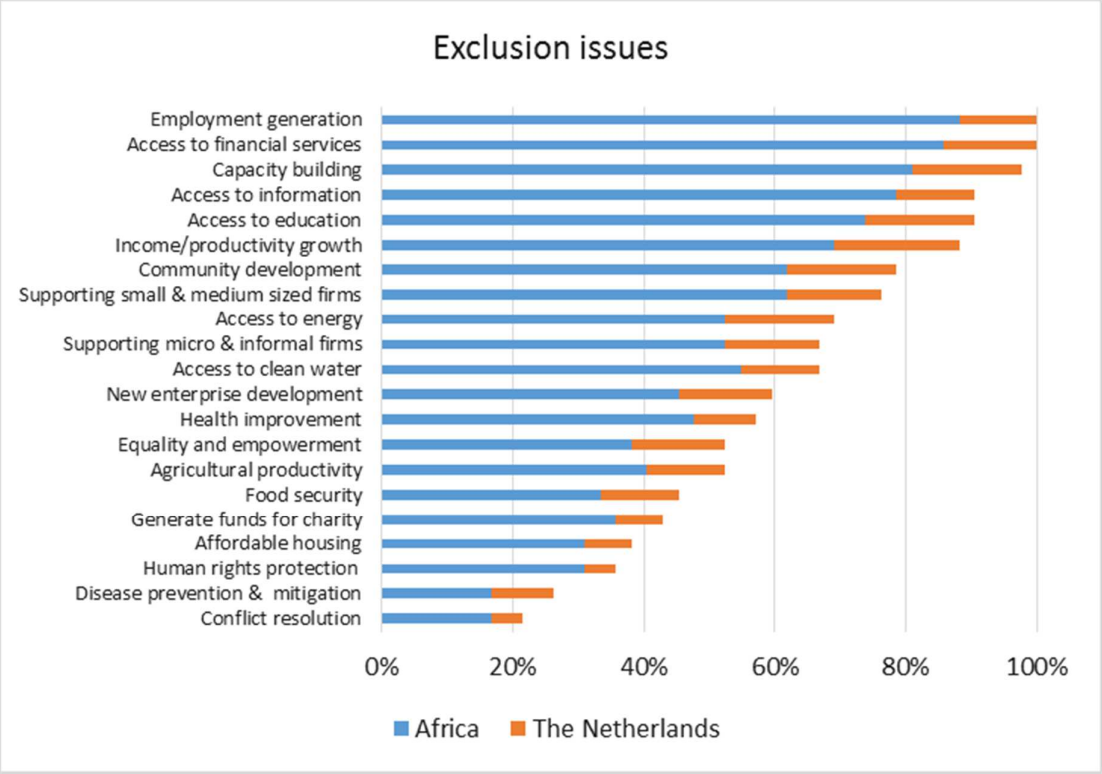


Figure 5: Priorities given to different exclusion issues.

Note: The maximum response (100%) is 42.

The responses to this question are reported in Figure 5. The top three priority exclusion issues are employment generation, access to finance and capacity building. Closely following them are the issues of access to information, access to education, and income and productivity growth. These results tally with the priority given to excluded groups, suggesting that organizations use employment generation and income/productivity improvement to target poor people and employees, and financial service provision and capacity development for targeting women and small enterprises.

A large number of exclusion issues received medium-level response. These include community development, supporting medium and small firms and microenterprises, access to energy, access to clean water, new enterprise development, and health services. Finally, a number of issues related to social justice and security received the least level of response. Overall, these results indicate that 'inclusiveness' is strongly associated with economic empowerment rather than other (social and political) aspects of development.

Comparison between African and Dutch organizations does not indicate any large priority differences. Two minor exceptions are income and productivity growth, which received greater response from

Dutch organizations compared to Africans. By contrast African organizations give greater priority for access to information than their Dutch counterparts.

The detailed results by country are reported in Appendix B to permit further comparison across countries. One important difference across countries is that 'access to information' receives significantly higher level of priority in countries like Ethiopia, Mozambique, Uganda and Tanzania whereas it is among the least priorities in Rwanda and Kenya. Likewise, there is limited cross-country unanimity on the importance employment generation, which is a top priority in Ethiopia. Kenya and Rwanda, but much lower in the list in Mozambique, Tanzania and The Netherlands. Dutch organizations focus on a broader range of exclusion issues compared to other African organizations.

6. Challenges to becoming inclusive

In order to find out the most important challenges that organizations face in their efforts to implement inclusive business practices, the survey posed the following question: "What are the most important managerial, organizational, technical or external obstacles that hinder your organization from becoming more inclusive and contributing more to society?"

The question was open ended so that respondents could provide their own responses for each category of challenges. The respondents identified dozens of challenges with varying degrees of importance. Figure 6 shows a word cloud graph where the degree of importance of different challenges is shown by the size of the text. Factors such as policy, capacity, resources, and government are among the most frequently mentioned obstacles. However, many words are used to describe the same thing – for example the words knowledge, skills, education and training all describe more or less the same concept.

Figure 6: Word cloud of main challenges to becoming inclusive

More systematically grouped categories of obstacles can also be identified from the survey responses (Table 2). Shortage of trained and skilled manpower is the most important technical obstacle that organizations face in their efforts to become inclusive. A larger number of organizational obstacles were identified, including lack of financial and other resources and limited organizational capacity. Bureaucracy within the organization was also found to be an important hindrance. Finally, an even greater number of external obstacles were pointed out, including inhibitive government policy,

insufficient access to electricity and road networks and more generally to public infrastructure, high levels of corruption and unfavourable laws and regulations.

Table 2: Categorizing challenges for becoming inclusive

Category	Type of obstacle
A. Technical obstacles	o Shortage of skills, knowledge and know-how
B. Organizational obstacles	o Limited organizational capacity o Insufficient organizational resources o Lack of financial resources
C. Managerial obstacles	o Bureaucracy within organization
D. External obstacles	o Poor government policy o Access to energy, electricity and road o Corruption o Poor infrastructure o Constraining laws and regulations

After grouping the challenges identified from the survey into the abovementioned categories, a word frequency graph was made to rank the challenges by the frequency of their appearance in the survey responses. Figure 7 presents the results of the word frequency, also subdividing the total frequency between African and Dutch respondents. Shortage of skilled and knowledgeable manpower was identified as the most important performance obstacle, followed closely by limited financial resources. African and Dutch organizations unanimously identify these two issues as by far the most important challenges to becoming inclusive.

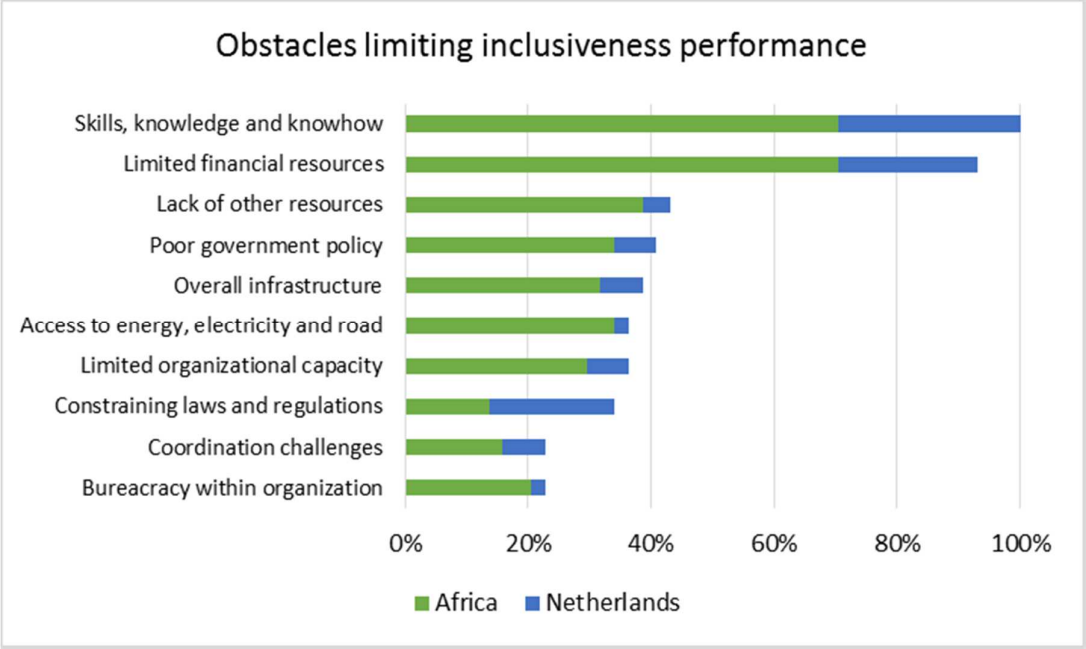


Figure 7: The most important challenges to becoming inclusive

Note: The maximum response (100%) is 44.

A second-tier list of challenges in terms of importance includes shortage of resources, poor government policy, insufficient infrastructure, lack of access to energy, limited organizational capacity,

and constraining government laws and regulations. The level of emphasis given to these constraints is more or less proportional between African and Dutch respondents. One exception is constraining laws and regulations, which are perceived to be more important by Dutch organizations. In contrast, access to electricity and roads is considered to be of greater importance by African respondents. Finally, problems related to coordinating different players in the supply chain and bureaucracy within the organization are identified as the obstacles with relatively less importance.

7. Conclusion

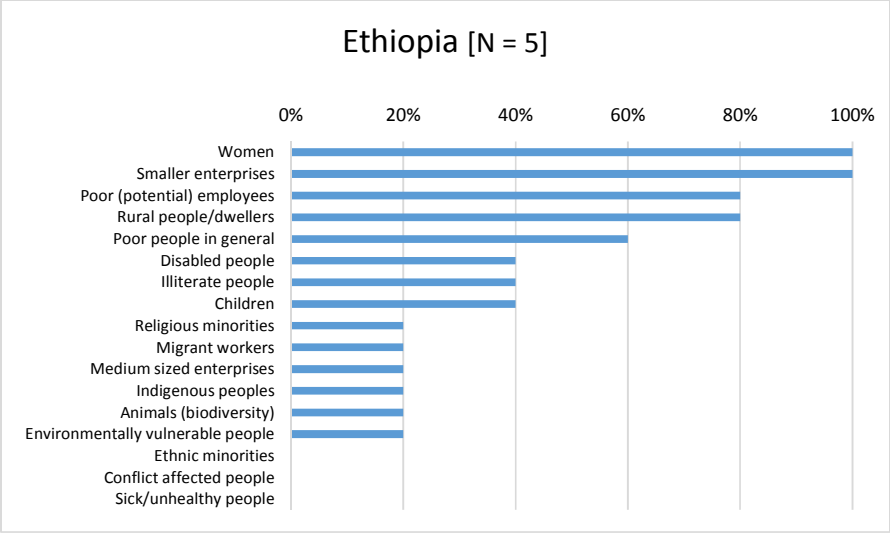
This research note gives an overview of how inclusiveness is approached and prioritized by organisations in both Africa and the Netherlands that participate in the research project. It looks into what disadvantaged groups and exclusion issues are targeted and what kinds of challenges organizations face in their efforts to become inclusive.

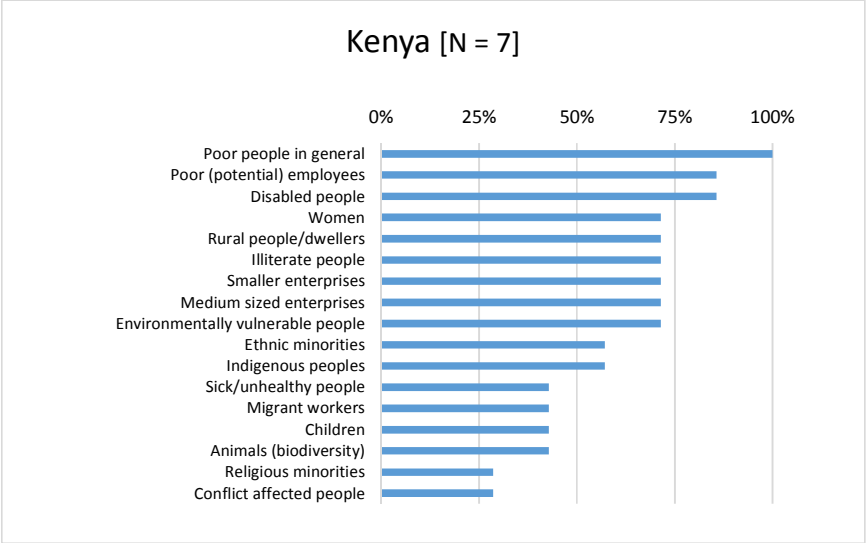
The subject of inclusiveness is construed in many different ways. Some organizations consider themselves more successful than others in integrating their inclusiveness agenda with their core operations. On average the organizations involved in this research project give relatively high level of priority for the subject of inclusiveness, which is illustrative for their frontrunner status. That does not imply, however, that they have been able to fully integrate inclusiveness in their strategies. NGOs score relatively higher than businesses in prioritizing inclusiveness in their policy agenda. Comparison among businesses indicates important differences across industries in prioritizing inclusiveness.

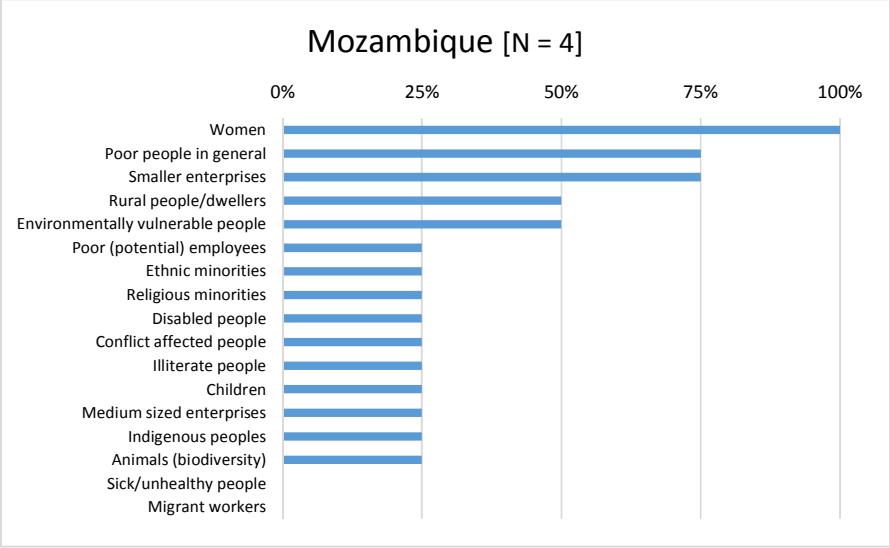
Inclusiveness is generally understood as economically empowering disadvantaged groups of people, especially women, small-scale entrepreneurs and poor people, but also to some extent rural inhabitants, illiterate people and owners of medium sized enterprises. The focus is mostly on improving income and productivity for these people by means of employment creation, improving access to finance, capacity building and access to information and education.

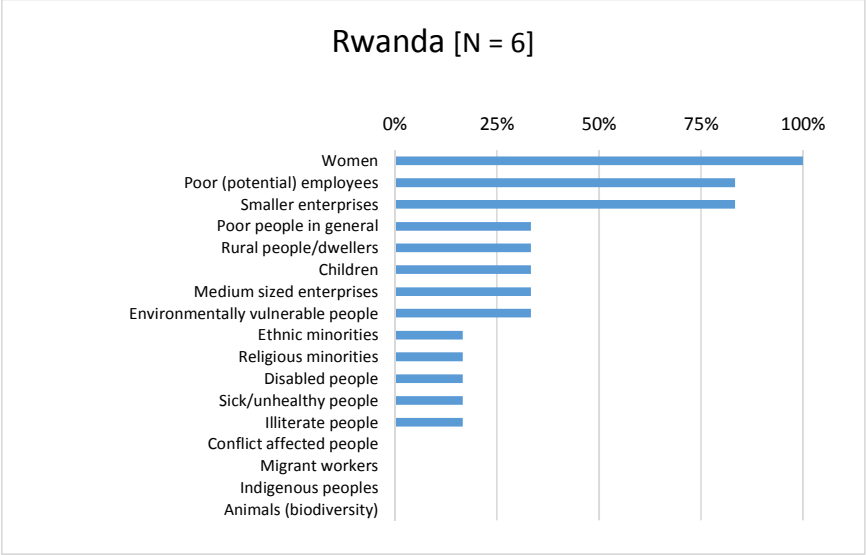
The survey identified a large list of internal and external obstacles that limit the ability of organizations to implement their inclusiveness policies. Shortage of skilled manpower and limited financial resources are found to be the two most important limiting factors. In addition, a number of organizational factors such lack of capacity and bureaucracy, as well as external factors such as poor infrastructure, low levels of access to energy and roads, and prohibitive laws and regulations were identified as critical obstacles. These insights are useful for shaping and sharpening the future research direction of this project.

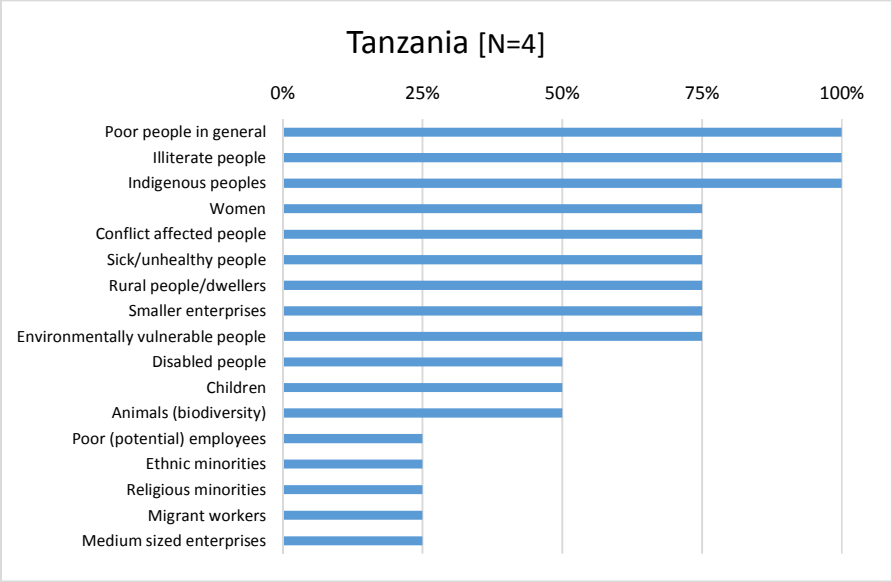
Appendix A: Disadvantaged groups by country

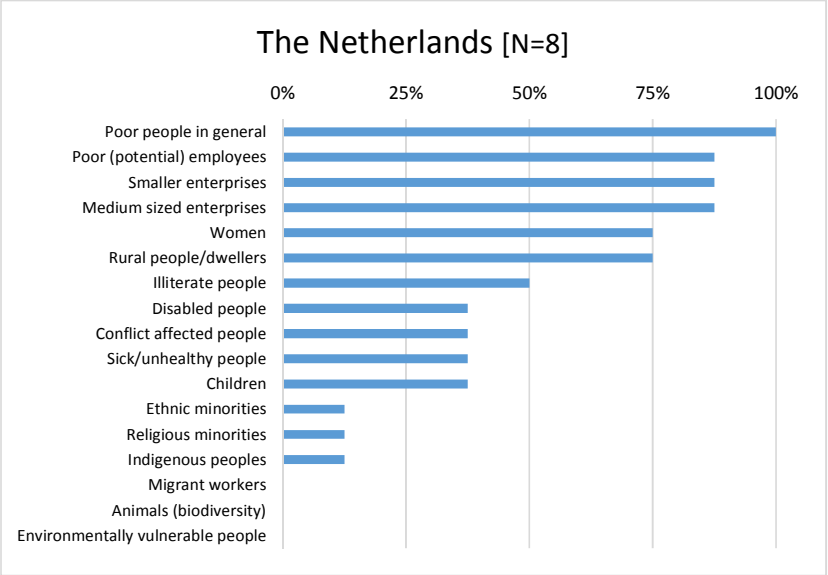


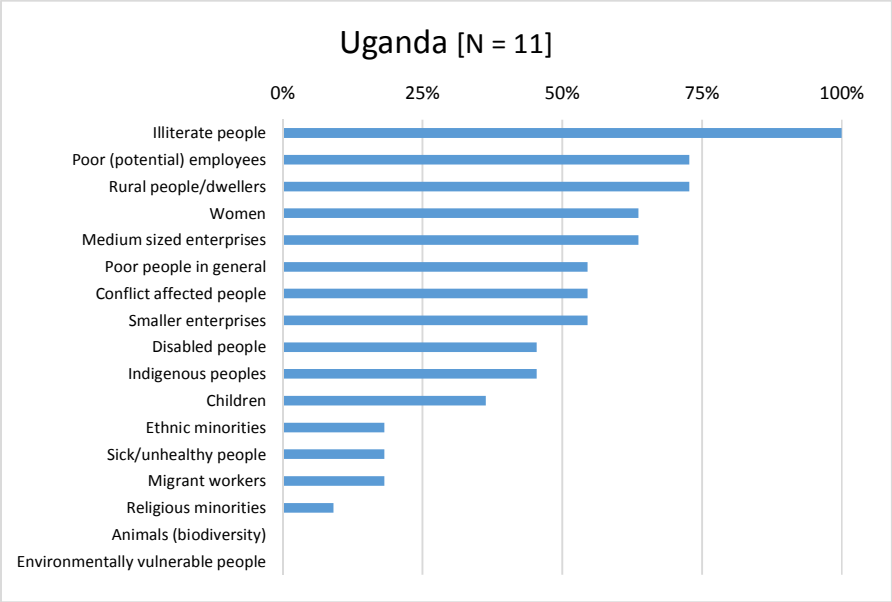






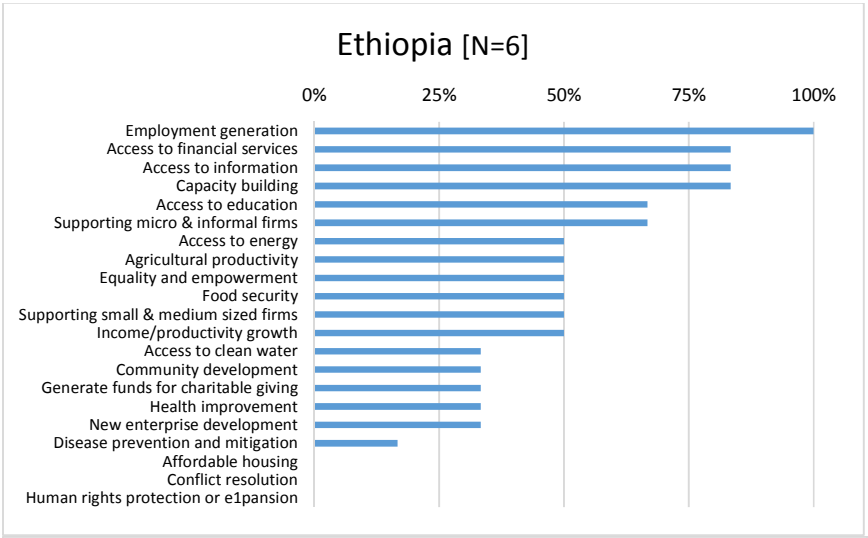


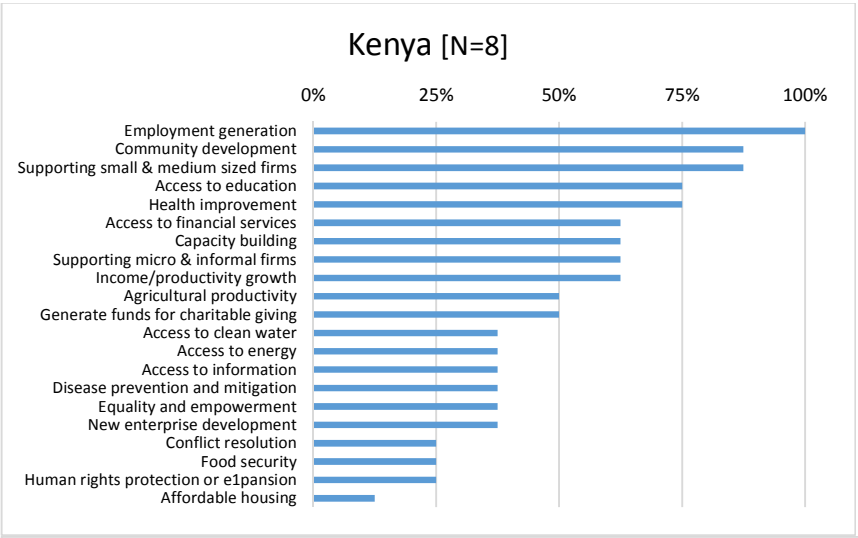


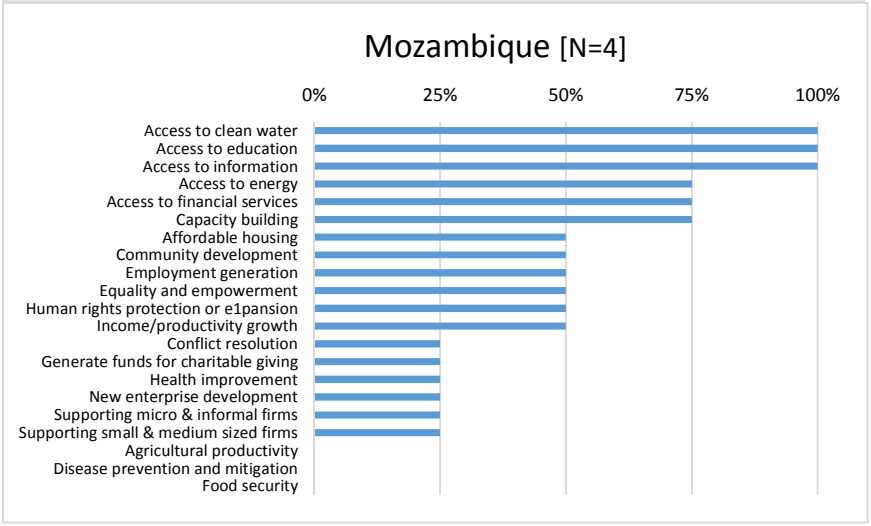


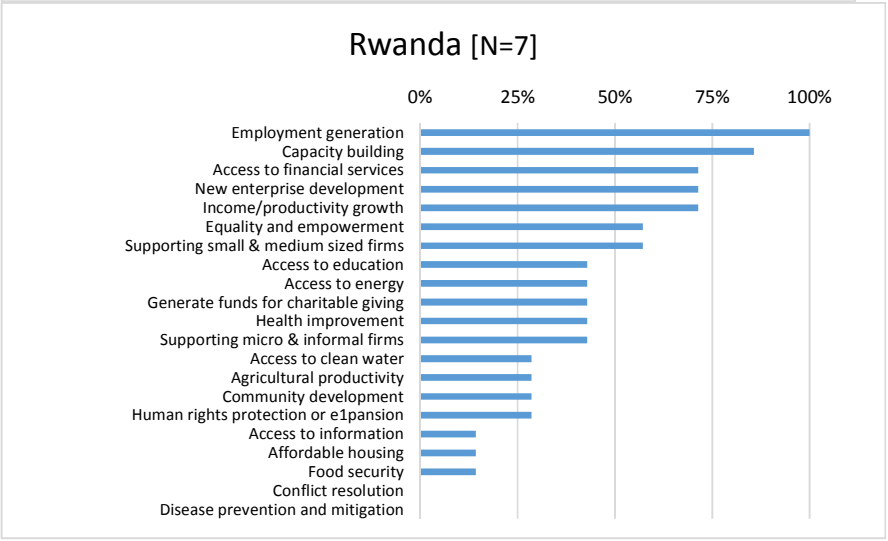
Note: N refers to maximum number of responses (100%)

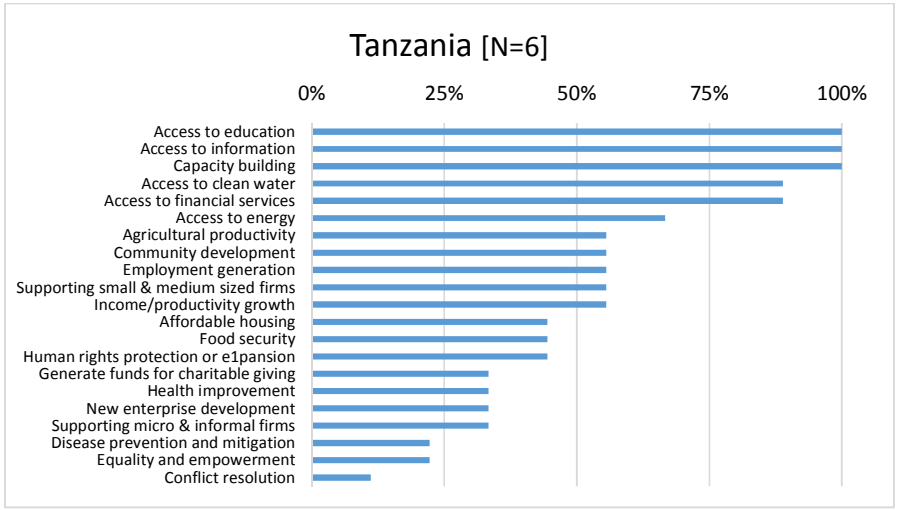
Appendix B: Exclusion issues by country

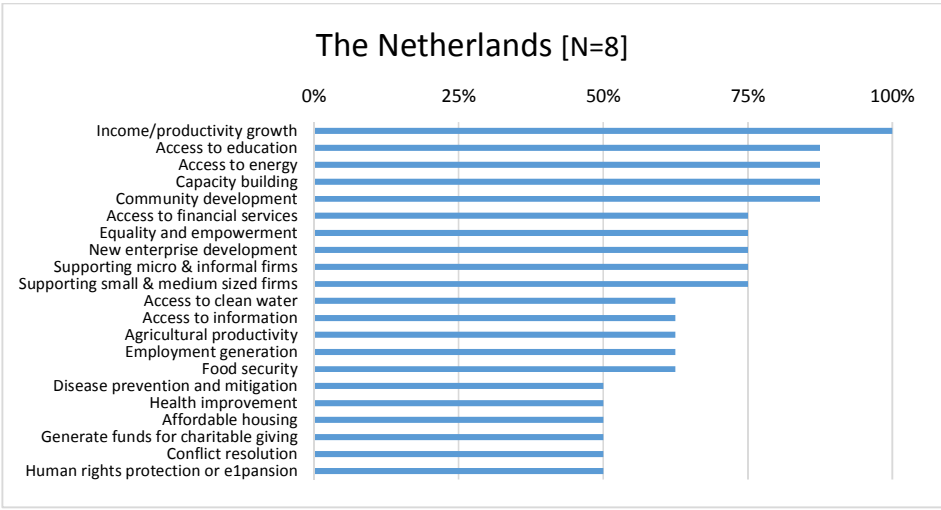


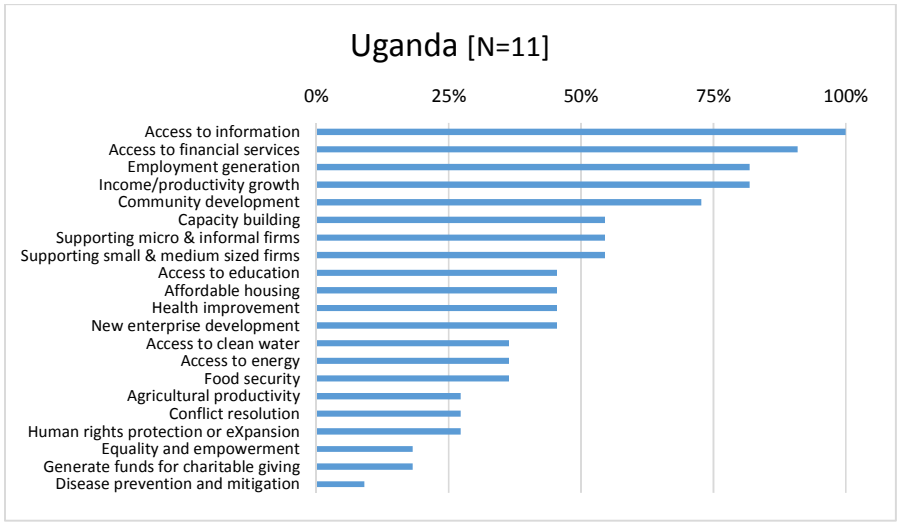












Note: N refers to maximum number of responses (100%)

Appendix C: Questions used for data collection

A. Questionnaire on research goals and expectations

1. Briefly describe what “inclusive business” means to your organization.
2. One a scale of one to ten, how would you evaluate the extent to which becoming “inclusive” is a policy priority in your organization? Mark (X) your answer and explain your reasons below.

1	2	3	4	5	6	7	8	9	10

3. Indicate any internal or external conditions that need to happen/change for your organisation to become more inclusive.
4. In becoming inclusive, what obstacles has your organisation encountered?
5. What are the approaches or strategies your organization uses to becoming inclusive?
6. Generally speaking, what are the critical strategic issues facing your organization as of now? Indicate at least one, but as many as you like.
7. What kinds of knowledge do you expect from this research project?
8. Do you have specific topics that you want to be studied by the research project?
9. Do you know best practices (of inclusive business projects) that you would like to be studied in this research project?
10. In the event that knowledge that is relevant for your organization is generated in this action research project, who would have the official position to use them for making decisions?
11. How do you describe your role as a representative of your organization in this research project?
12. Would you take up the responsibility of sharing the lessons you acquire from this project to other staff in your organization?
13. Please indicate if you have any unresolved questions, doubts or dilemmas on this research project.

B. Questionnaire on Issue Identification for Inclusive Businesses

1. From the view point of your organization, what are the most important social issues/problems which needs to be addressed *urgently*?
2. What are the most important managerial, organizational or technical obstacles that hinder your organization from becoming more socially inclusive, or from contributing more to society?
   A. Managerial obstacles
   B. Organizational obstacles
   C. Technical obstacles
3. Indicate which specific external circumstances (e.g. national policy, infrastructure etc) hinder your organization's effort to become inclusive. Be specific in what way they affect your organization's efforts.
4. Which excluded groups are most relevant for your organization? Mark (X) all that apply.

Disadvantaged groups	**Generally for inclusive development**	**For your specific organisation**
Poor people in general		
Poor (potential) employees		
Ethnic minorities		
Religious minorities		
Women		
Disabled people		
Conflict affected people		
Sick/unhealthy people		
Rural people/dwellers		
Migrant workers		
Illiterate people		
Children		
Smaller enterprises		
Medium sized enterprises		
Indigenous peoples		
Animals (biodiversity)		
Environmentally vulnerable people		

5. Which issues/sectors are relevant for your organization's inclusiveness efforts? Mark (X) all that apply.

Issues	**Generally for inclusive development**	**For your specific organisation**
Access to clean water		
Access to education		
Access to energy		
Access to financial services		
Access to information		
Affordable housing		
Agricultural productivity		
Capacity building		
Community development		
Conflict resolution		
Disease prevention and mitigation		
Employment generation		
Equality and empowerment		
Food security		
Generate funds for charitable giving		
Health improvement		
Human rights protection or expansion		
New enterprise development		
Supporting micro & informal firms		
Supporting small & medium sized firms		
Income/productivity growth		

6. What kinds of partnerships (with NGO's, companies, knowledge institutes, development agencies, local government etc.) do you consider critical for your organization's effort to become inclusive? Why?
7. What kinds of partnerships (with NGO's, companies, knowledge institutes, development agencies, local government etc.) do you currently have on projects related to inclusiveness?