Report

Closing Conference

Inclusive Business Strategies in Africa

22nd June 2017

Nairobi, Kenya

1. Introduction

On Thursday June 22nd, the Rotterdam School of Management (RSM), the Eastern and Southern African Management Institute (ESAMI) and the Netherlands-African Business Council (NABC) welcomed representatives of businesses, organisations and government bodies in Nairobi, Kenya to participate in the *Inclusive Business Strategies in Africa, From Knowledge to Action* conference. The main objective of the conference was to share the results of the two-year NWO/WOTRO research programme, part of the INCLUDE Knowledge Platform on Inclusive Development Policies and to discuss how inclusive business strategies can contribute to inclusive development in Sub-Sahara Africa.

During the day the results of the research were presented to provide starting points for active, practice-driven discussion among participants. Experienced speakers, panelists and researchers from various backgrounds inspired participants to rethink their own business strategies by discussing which challenges and opportunities they face in making inclusive business work. Finally, the participants combined their own experiences, ideas, and tools in sessions during which they presented their own innovative business strategies.

This report takes you through the programme of the day by sharing the highlights of each session.

2. Opening of the conference

Siri Lijfering (RSM) and Professor Joseph Mumba (ESAMI) opened the conference by welcoming all participants on behalf of RSM, ESAMI, and NABC, outlining the programme of the day, and stating the importance of Inclusive Business.

Subsequently, Bert Rikken, agricultural counsellor at the Dutch Embassy in Nairobi, gave an introductory speech, during which he pointed out that when it comes to inclusive business, partnerships are key. He illustrated this point by building on his experiences in agricultural development and economic policies and by giving some examples of public-private partnerships in agribusiness in Kenya. One of his examples concerned the potato industry in Kenya. In order to overcome the reliance on maize as the main staple food, Kenyan and Dutch potato seed companies work together with farmers in Kenya to improve food security in the country. The Kenyan government in partnership with these businesses and the Dutch Embassy support this endeavour through a public-private partnership funded by the Facility for Sustainable Entrepreneurship and Food Security (FDOV) fund of the Ministry of Foreign Affairs in the Netherlands.

3. Key note speech

Alexandra Sindahera provided the key note speech. Starting with the background story of Heineken's breweries and investment (> 2.7 billion euro in AMEE since 2010), Ms Sindahera showed how Heineken is working on gaining a stronger foothold in the African markets. Sindahera explained how Heineken is working on inclusiveness, by providing jobs and local sourcing. Heineken wants to support inclusive growth by increasing knowledge, productivity, profitability, food security and improved livelihoods for farmers and improve sustainable sourcing, lower transport costs, lower carbon footprint, less price volatility and reduce exposure to FOREX on the side of Heineken. Strong partnerships and cooperation with local leaders is key: in 2020 Heineken would like to export 10% of their talents as managers in other regions and further develop strong functional capabilities programmes. Questions from the public focused on the 'darker' side of Heineken's impact on the African continent, and how these fit in the story presented. Alexandra highlighted that Heineken experiences challenges on a day to day basis and that making difficult choices is part of her work. For example, in Burundi, where she has worked for almost a decade, Heineken had to make a choice whether to stop producing in the country during the time of the civil war and thereby putting jobs on the line or continue to work. These are tough decisions that a business operating in Africa has to make and can challenge your efforts to become more inclusive.

4. Plenary discussion *What is "inclusive business"?*

In order to prepare for more active participation researcher Addisu Lashitew (RSM) gave a presentation of the results of the three parallel quantitative surveys that have been undertaken in the past two years. These surveys, with close to 500 participants, explore five dimensions of inclusive business:
1). Motivations for inclusiveness
2). Business model components
3). Societal impact and financial outcomes
4). Internal and external constraints faced by inclusive businesses and
5). Country-specific processes of trust and institution building)

The first part of the presentation focused on the general question 'What is inclusive business?'. Lashitew showed that inclusiveness can be seen as an approach from a single to a triple bottom line focussing not only on a financial return on investment but also on creating a positive social and environmental impact.To achieve this triple bottom line, businesses employ strategies to focus on the key elements of inclusiveness (see figure 1 below).


Fig. 1. Most common strategies for inclusive business
Note: The figures presented in this report are based on results from the Inclusive Business Survey collected by the research team. The survey covered 430 organizations across the six East African countries of Kenya, Ethiopia, Tanzania, Rwanda, Mozambique and Uganda.

Following the most common strategies businesses employ to become more inclusive he gave examples of innovative and inclusive business projects in East-Africa, like MPesa by Safaricom (Kenya) and SoleRebels, fair trade, eco-friendly footwear (Ethiopia). The audience was actively engaged by asking questions with regard to their own inclusiveness and how they experience inclusiveness in practice.

I.   **Target groups.** Making a law farm more inclusive through, for example, pro-bono legal services and legal aid clubs to help the disadvantaged. An issue raised was to what extent inclusiveness also targets gender balance in businesses. Lashitew showed that this is actually an important target group to make a business strategy more inclusive. However, women are not the only target group that can be included to make business more inclusive.
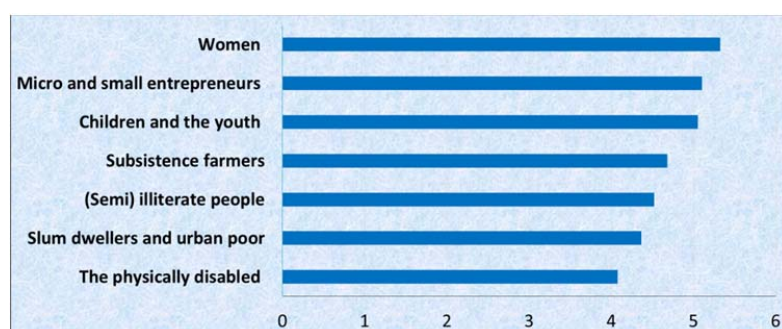
Fig. 2. Inclusive strategies: target groups (source: presentation Addisu Lashitew, RSM 2017)

II.   **Partnering:** what is the role of the government and other partners in supporting/ setting-up/ creating inclusive business? The discussion on this point started during the session on 'What is inclusive business?' and came back in almost every session and workshop. Lashitew showed that inclusive business is not only a matter of policy makers or the sole responsibility of the government. On the contrary, inclusiveness business asks for an 'inclusive' approach in which government, civil society and businesses combine forces.

III.   **The relationship between inclusiveness & profitability**
   a. Lashitew showed that certain factors slow down the start or implementing process: additional costs, slow returns, multiple priorities, and returns that cannot always be monetized.
   b. On the other hand there are certain strong factors that contribute to the success of realising a successful synergy between inclusiveness and profitability: employee commitment, the overall image and reputation, innovation opportunities, and inclusive development (growth).
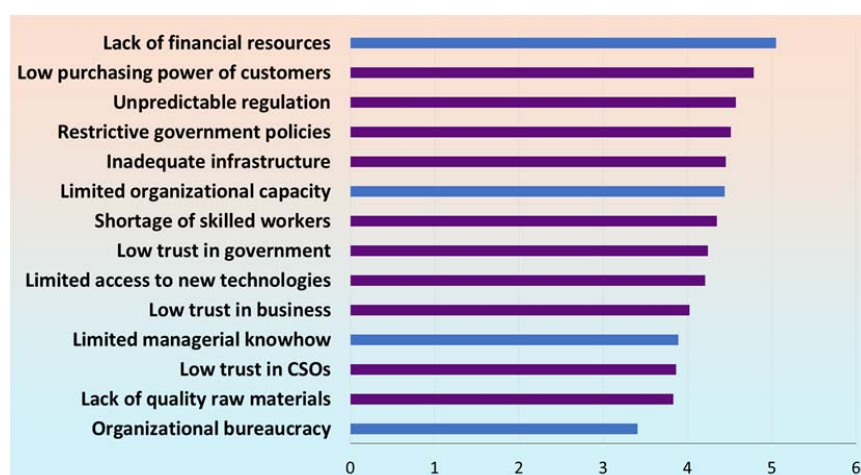
Figure 3. Based on the conducted research and analysis, the challenges can be visualized as follows.

6. Panel discussion: *Making Inclusive Business Work*

After having touched upon challenges, general experiences and expectations, Professor Rob van Tulder took the discussion a step further during the panel discussion, focusing on the practice of inclusive business in an African context.

Llyord George, Knowledge and Project Manager, Sustainable Inclusive Business

Betty WanguiGikonyo, Director, General Foods

Dr Sara Ruto, Director, People's Action for Learning Network

Mwadhini O. Myanza, Regional Chairman, Tanzania Chamber of Commerce, Industry and Agriculture

Victor Esendi, Business and Partnership Manager, AgriProFocus

I.   The relationship between inclusiveness and profitability

'Inclusive is a two end game: you can win or you can lose' (Llyord Gitau). Inclusive business is, just like any other business, focused on growth. However, the main drive and process behind inclusive business is rather different. Inclusiveness directs business strategy and company vision to create not only profit but also to achieve positive social impact. The African context shows many examples that have become very successful in not only putting an inclusive business strategy on paper, but also implementing it in its local context. A challenge is how to get enough financial means / impulse / investments to make this change happen.

A good, successful example comes from the dairy sector. Biofood introduced a so-called quality based milk pricing system. Instead of paying farmers a price for the milk based on quantity, they currently work with a system that determines prices based on the quality of the milk. Farmers get an impulse to improve the quality of the milk, which leads to valuable changes in the chain from grass to milk. However, this quality based milk pricing system could not have been introduced without any access to finance. Therefore the right financial means are a necessity to change direction towards more inclusiveness. 'No finance, no inclusiveness', as Mwadhini Myanza, Tanzania chamber of commerce, strongly put it.

The following challenges were identified by the panelists: How can we shorten the investment pay-back period of inclusive business projects? How to build the financial capacity to maximize social impact? How to acquire the managerial expertise to design business strategies with social impact?

II.   Challenges faced in a practical context

The panelists debated whom to include/empower through inclusive business strategies? Women, low-income groups, disempowered groups, youth? Who to include depends on strategy and the chosen vision to maximize your impact. Betty Gikonyo nicely put it: 'Strategy actually defines whether or not you can be successful in inclusive business.' A business strategy helps to determine what to do, what goals are set, and how these can give direction to the company.

The challenge here is how to create an inclusive business that balances between ideas and reality. Betty Gikonyo shared that it is highly valuable to share experiences in shaping your strategy.
'Making mistakes is not a problem, but businesses do not want to make mistakes that others have already made. Learning from each other's experiences, failures, success is very important.' Betty Gikonyo stressed that sharing information is the key to grow and realize inclusive growth. Mwadhini Myanza added that the role of the government is decisive for businesses to become inclusive. 'Governments have the institutions to keep certification organisations responsible for the right quality mark.'

Challenges:
- Inclusion vs exclusion: Does a focus on women exclude a focus on low-income groups?
- Should companies share their information or protect it in order to compete with others?
- Who is responsible for giving direction towards an inclusive approach?

III.   What capabilities are needed for inclusive business?

Looking at the skills needed to become inclusive, what would the world of tomorrow need? Dr. Sara Ruto is building on her experiences in the field of education. She states that the world of tomorrow is unknown to all of us. 'We need to prepare the next generation, by training transferrable skills, especially 'soft' (inter)personal skills such as strong feeling of responsibility, honesty, and caring.' Other, more practical skills, can be acquired by learning in a practical context. Businesses should open up their working space for others to learn, acquire and practice', Dr. Ruto stressed.

Betty responds that that would be an ideal world, but is far from what is happening on the ground. 'I get applications every day from people with a master degree, but to be honest, they have no clue of what it

is like to work in a business. If I invest in training, what do I get in return? We have recently have started to work with children with psychological issues. These children seem much better do'ers after a training that somebody with a master of PhD degree. These children are actually the people who are helping to train others in a practical context.' Alexandra Sindahera (Heineken) reacts that budget for training usually is very low. 'Young people have paper knowledge when they come from university but no practical knowledge so we need to shape their values and skills that are important for the company. Part of our inclusiveness strategy is skills training and also leadership.'

Bottom-line of the discussion is that nobody is able to complete the inclusiveness mission alone. Sharing information and being able to train others is of great importance. Or, as Sara Ruto put it. 'it takes a village to educate a child. This village is a metaphor for every one of us.'

Challenges:
- How to educate or train the future generation to make them ready for a world that is currently unknown?
- How to make business inclusive when young generations only stay for a short time at the company? Is it worth investing in the person and educate him/ her?
- Who to invest in? A degree is simply not enough. Are there other (groups of) persons who have the ability and strength but are currently not looked at? How could other groups help in making your business strong and sustainable?

7. Bringing inclusive business into practice: *an inclusive business toolbox*

The theme of this closing conference is 'From Knowledge to Action'. Therefore the organising team had designed an inclusive business toolbox. Every participant received a folder with many different tools to achieve new steps in creating inclusive business. During both breakout sessions some of these tools were taken up to see how these could be applied.

Session - Tipping points and leadership
The break out session firstly aimed at getting insight in the participant's organization's sustainability attitude. Through a questionnaire on motivations, the participants could see what was the main driver behind their business. It also showed how to improve towards a more active, or even pro-active approach. The consistency in answering could also help the participants in discovering where the organization's challenges currently are.

The motivation of a company to engage in higher degrees of inclusiveness and sustainability is contingent on the strategic vision of its leadership.

Primary motivations: relate to the measure of societal responsiveness; is the organization internally or externally oriented when it comes to inclusive business? Is the company guided by self-reflection and direct business interests, or is it influenced by external voices and stakeholder pressure?

Secondary motivations relate to the strategic or tactical attitude to society and societal issues like inclusive development. Two relevant poles are whether a company is largely motivated by liability and risk considerations or considers sustainability questions in terms of responsibility and strategic opportunities.

The rough tool on the front page provides companies with a first assessment of the initial position of their organization. It should be primarily used as a means to further discuss the actual practice of the organization.

In the second half of the session, Rob van Tulder gave more insights in different leadership styles and how these could be aligned with inclusive strategies. The toolbox showed different leadership styles:

Transactional leadership … is also known as 'managerial leadership'. It focuses on the role of supervision, organization, and group performance; transactional leadership is a style of leadership in which the leader promotes compliance of his/her followers through both rewards and punishments. In Sustainability issues the transactional leader aims at short-term efficiency.

Transformational leadership ...in sustainability, is a style of leadership where the leader is charged with identifying the needed change to address the societal issue that goes beyond the interests of the own company, creating a vision to guide the change through inspiration, and executing the change in tandem with committed members of primary and secondary stakeholders.

Servant leadership ...is a style of leadership where the leader shares power, puts the needs of others first and helps people develop and perform as highly as possible.

Strategic leadership ...is aimed at managing change and ambiguity by not only providing a sense of direction, but also building ownership and alignment within their workgroups to implement change

Visionary leadership ... is often a process in which the leader develops a vision and communicates it to the project team and to the client. Visions have power to excite people and provide a common basis for all primary stakeholders.

Moral/ethical leadership ... is directed by respect for ethical beliefs and values and for the dignity and rights of others. It is thus related to concepts such as trust, honesty, consideration, charisma and fairness. Ethical leaders of organisations often derive their legitimacy from addressing an internal ethical dilemma.

Charismatic leadership ... gathers followers through dint of personality and charm, rather than any form of external power or authority. Is often portrayed as 'hero' and functions particularly well in case of a 'common enemy'.

Thought leadership ..is an individual or firm that is recognized as an authority in a specialized field, whose expertise is sought and rewarded and who can frame a discussion on an inclusiveness issue to the advantage of his own organisation.

Connected leadership Leader that can bridge divides between different groups of primary and secondary stakeholders and create a common strategy for addressing the inclusiveness challenge

During the session, challenges that were raised regarding leadership and an inclusive strategy in a local context:

- To what extend needs a business to share information with its customers?
- Payments or free internships?
- What kind of information sharing platforms are there and how can these be used best?

Session – Mapping Inclusive Business Models

The other break out session focused on getting grip on inclusive business. After a short introduction about the business model canvas, the participants could fill in an extended business model canvass. This gave them insight in how they can create, deliver and share value with their inclusive business model. In addition, this workshop showed them where on the triple bottom line (financially, socially or environmentally) they could still improve. The participants reflected on what their business model is and how it creates social and environmental impact:

Value proposition: What is our offering for our customers and what are its features of inclusiveness?

1. **Customers**: Who are our customer segments, and do they also include disadvantaged social groups?
2. **Customer relationships**: What are the values that underpin our relationships with customers?
3. **Channels**: What channels do we use to reach customers, and what is their social and environmental impact?
4. **Key partners**: Who are our partners, and in what way do they contribute to our inclusiveness efforts?
5. **Key activities**: What are our major activities, and how do they support our inclusiveness efforts?
6. **Key resources**: What are our main resources, and how and why are they useful for creating social and environmental impact?
7. **Revenue streams:** What are our revenue sources and pricing strategies?
8. **Cost structure:** What are our major financial costs?
9. **Social and environmental benefits**: What is the final positive social and environmental impact of our business?
10. **Social and environmental costs**: What is the final negative social and environmental impact (externalities) of our business?
11. **Business ecosystem**: What are features of the business ecosystem that affected the financial, social, and environmental performance of our business?

8. Inclusive Business Models & the Sustainable Development Goals

Following the Millennium Development Goals (MDG) in 2015, the Sustainable Development Goals (SDG) were adopted to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. The SDG's were instigated by the United Nations to give direction towards future transformation of the world. All countries of the United Nations and many international organisations, research institutes and business committed to achieve these goals. Inclusive business serve as a carrier to implement the SDGs; the SDGs give direction and focus to make businesses more inclusive.

There are seventeen Sustainable Development Goals:

Jointly they give direction to a sustainable future. For businesses it is valuable to make a selection, which are related to their businesses.

One example is Philips: 'Philips is committed to the United Nations Sustainable Development Goals which aim to improve the lives of people and the health of our planet. Goal 3. Ensure healthy lives and promote well-being for all at all ages. Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all. Goal 12. Ensure sustainable consumption and production patterns.

Another good example is Safaricom: 'We will empower the business to fully understand, embace and deliver on SDGs and ensure Safaricom remains a local and global leader in this area.'(Steve Chege, Director Corporate Affairs) – Goals 1, 2, 6, 7, 8, 12, 13 and 14.

9. The SDG Partnership Challenge

The SDG Partnership Challenge main goal was to experience how identification with SDGs can guide new business ideas into practice and the participants were invited to come up with novel ideas to tackle the SDGs through inclusive business. The SDG Partnership consists of three rounds and a grand finale:

1. Identification: which SDG(s) do you target (or not) and which innovation do you propose?
2. Matching & exploration: find others who have identified the same SDG(s) as leading and form a coalition of the willing.
3. Formation:
   a. Landscaping: Complementarity of resources: What capabilities and resources can we bring to the partnership?
   b. Compatibility of values: Do we agree on why we do it? Forming a collective vision.

Through this process the groups developed a pitch, which served as an impact narrative for their IB solution. The jury, consisting of Professor Rob van Tulder of RSM, Joseph Mumba of ESAMI and Llyord Gitau of SIB judged the pitches and awarded the team "Wing it" the first prize. The team presented a project based on their current business initiative and directly related to the SDG 3: good health and well-being through making sanitary pads available to girls in Kenya. This team presented a feasible business case in which forces of the team members were combined. For their efforts the team was rewarded with the SDG Challenge Award consisting of some Dutch inclusive business gift: a Waka Waka light, a Tony Chocolonely chocolate gift box, a book on the business model canvas and business support both from SIB through a business scan and by professor Rob van Tulder of RSM.

This marked the end of a successful event but not of inclusive business, as one participant said: we must continue to make inclusive business work!