

[inclusion
inc.]

The Inclusive Innovators

10 Questions

20 Business Leaders

17 Sustainable Development Goals

By Bhaskar Chakravorti

A research and convening initiative.

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The Inclusion, Inc. Research Series

Inclusive business—the pursuit of opportunities in traditionally unattractive or currently unprofitable market segments—is, increasingly, a strategic imperative for companies. Foregoing such segments could mean opening the door to disruption and closing it to options for future growth; this is an especially crucial concern that relates to developing economies, which represent the world's faster-growth markets over the long-term. The idea of inclusion encompasses being inclusive of future generations and, by extension, underscores the need for responsible stewardship of the environment, natural resources and supply chains. In other words, sustainability is integral to inclusive business.

In light of many of the dramatic political developments of 2016, such as the Brexit vote and the U.S. presidential elections, we can expect that governments of advanced economies will scale back their investments in international cooperation and global sustainable development, in favor of focusing on job creation at home. This will heighten the expectations from other sectors—the private sector, in particular—to step in and help fill the void. Pursuing business-as-usual objectives in parallel with inclusive business will require new models of innovation and partnership with other sectors. When successful, such "inclusive innovators" can pave the way for global growth, development and inclusive prosperity.

In January of 2016, the United Nations initiated a new global agenda leading up to 2030 through the Sustainable Development Goals (SDGs) launched in the fall of 2015. Unlike their predecessors, the Millennium Development Goals, the SDGs consider the private sector as an essential participant in the process. The initiation of these new goals presents businesses and other sectors with a unique opportunity to expand the cadre of inclusive innovators who can accelerate progress on sustainable development worldwide.

This report is the outcome of a year-long indepth research effort involving over 20 global companies spanning a broad range of industries, conducted by The Fletcher School at Tufts University. It is part of Fletcher's Institute for Business in the Global Context research and conference initiative on inclusive growth.

The report is the third in a series. The first report, "Growth for Good or Good for Growth," analyzes the drivers and barriers affecting the practice of inclusive business activities within a wide range of businesses; the second report, "Inclusion Inc". shared perspectives on operationalizing these activities and outcomes of live problem-solving in a major conference held at The Fletcher School. "The Inclusive Innovators", the third report of the series, applies the strategies, lessons, and insights from 20 well known global companies to identify ways in which businesses can leverage the SDGs to join sustainable business with sustainable development, as well as address several of the challenges that would need to be overcome.

We hope you will read critically, ask your own questions, challenge what needs to be challenged, and continue the discussion. Most significantly, we expect that this process shall have a positive impact on the actions that businesses and their partners take to improve the state of an increasingly fragile and divided world.

views from the top

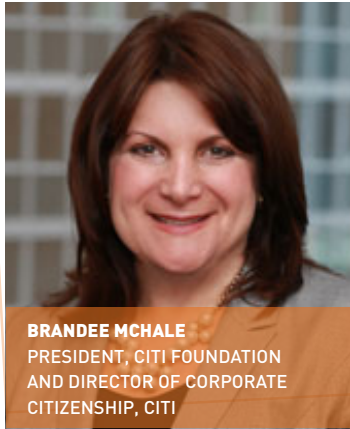


"We are creating a much stronger ecosystem that takes our risk away, but it also creates enormous opportunities to broaden our products. Because once you work in partnerships often with governments or with civil society, it creates other opportunities to grow your business."

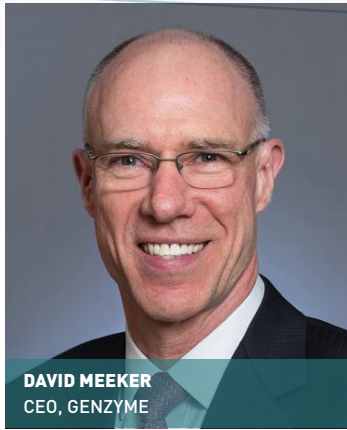
Paul Polman, CEO of Unilever

"Through our core business activities and strategic cross-sector partnerships, Citi is investing in innovative product and service solutions around the world that drive economic and social progress. Incorporating sustainability practices into everything we do enhances our clients' work, improves our own operations and contributes to building economically vibrant and sustainable communities."

Brandee McHale,
President, Citi Foundation and
Director of Corporate Citizenship, Citi



BRANDEE MCHALE
PRESIDENT, CITI FOUNDATION
AND DIRECTOR OF CORPORATE
CITIZENSHIP, CITI



"It's not until a government, no matter how poor, how big, or how small, makes a commitment to these areas that you begin to move to sustainability. They begin to pay attention, the disease gets championed, and the right things begin to happen."

David Meeker, CEO of Genzyme



"We created a framework around our three W's: water, women, and well-being. We picked three areas that really matter to our business, areas that we can connect straight into the core functionality of what we call a brand with a purpose."

Muhtar Kent, CEO of Coca-Cola

"Our sustainability investments are based on the philosophy that we're all connected, and positive actions we take to improve people's lives and the planet are also essential to running a good business. When the people who make our clothes work in safe, fair conditions, they're more productive and help us create better products. When we lower greenhouse gas emissions and reduce waste, we contribute to an environment in which our business can thrive. When our employees feel empowered to be their best, they enable us to be the same."

Art Peck, CEO of Gap Inc.



ART PECK
CEO, GAP INC.

"Pursuing a financial objective of maximizing long-term intrinsic value for our continued shareholders, which is our governing objective, and doing good do not go against one another. In fact, doing good can answer the objective of maximizing value."

Sunny Verghese, CEO of Olam



SUNNY VERGHESE
CEO, OLAM

"We're helping include more people in the financial mainstream, so they can get access to insurance, save money for a rainy day, and pay their bills without standing in queues for hours. Things many of us tend to take for granted. Doing this makes business sense because it drives electronic payments. It also reduces the role of cash around the world. Both are important to our bottom line and our strategy."

Ajay Banga, CEO of Mastercard



AJAY BANGA
CEO, MASTERCARD



"Diageo has a tradition of creating shared value. We aim to make a positive contribution to society, supporting the UN Global Goals while delivering our ambition to be one of the world's best performing, most trusted and respected companies. We deliver this best through great partnerships, something central to Diageo—with our teams, with our suppliers, with governments, and with consumers and their communities who are at the heart of our business."

Ivan Menezes, CEO of Diageo

[preface]

Launched in 2015, the Sustainable Development Goals (SDGs) have set us on a journey with an uncertain destination. There are many alternatives we can imagine for the state of the human and planetary condition at the target date of 2030. The possibilities can be bookended by two competing futures.

One is a “flying cars” future, where human ingenuity and resources are focused on solving problems best exemplified by the challenge that PayPal founder, Peter Thiel, threw out to his creative colleagues while bemoaning the absence of big innovation: “We asked for flying cars. Instead we got 140 characters.” This would be a future powered by technological innovations with advances in digital, artificial intelligence, materials, and genomic capabilities; economic possibilities enabled by global connectivity; and an overall uplifting vision of the human condition—a future constrained only by the limits of our imagination.

A second—very different—future is inherently a product of constraints, one that we might label the “flying toilets” future. Here the human and planetary problems to be solved are many and closer to the ground, where one in three people in the world still do not have access to a working toilet and many must make do with a plastic bag that is tossed away (hence “flying toilet”). It is a future where the world is at risk of coming apart because of unintended consequences of human activity leading up to the 20th century: asymmetric and uneven growth; unsustainable demands on the planet; skewed demographics and inequities in the state of the human condition, with a majority stuffed into urban clusters; and conflict between the haves and the have-nots, reinforced by religious, ethnic, socioeconomic, and political divisions.

The SDGs provide a framework for a global society to coordinate on finding a path through these competing futures to

make progress on improving the human and planetary condition. A key point of departure in the case of the SDGs is that this coordination is no longer the exclusive domain of the heads of state or international agencies or development organizations, as it has been in the past. The private sector in all its forms—big business, the garage entrepreneur, the young person on the street armed with a mobile phone, the investor—has a seat at the SDG table to join in the problem solving.

The involvement of the private sector could be transformational; after all, as we shall reiterate in the first chapter, the private sector accounts for 90% of the world’s jobs and 60% of global GDP. Moreover, given the size of the problems to be solved and the scale of efforts needed, it is important to look beyond the entrepreneurial and informal components that make up the majority of the private sector in the developing world and involve the large global corporations. Their reach, resources, and scalability are essential assets. According to the McKinsey Global Institute, 10% of the world’s public companies generate 80% of all profits. And the power of these entities is increasing. Sales by the median listed public company are almost triple that of 20 years ago, while average profit margins have increased in direct proportion to the concentration of the market, reflecting the trend towards consolidation. Identifying how to involve these large organizations with their asymmetric influence will be key to any effort to draw upon private support for this broad public initiative.

These inherently complex organizations need to address many issues: the issue of sustainable development; management incentives, contexts, and constraints, particularly for publicly traded companies; balancing conflicting demands and imperatives across different stakeholders; points of leverage and opportunities to maximize impact.

Our focus is on such large companies engaging in “inclusive business,” which we define as commercially viable and scalable activities that further the company’s competitiveness and overall strategic objectives while:

- Benefiting low-income or other traditionally disadvantaged communities by including them in the company’s value chain as customers and/or as suppliers, partners, or employees
- Developing approaches that sustain natural resource supplies and the environment
- Helping fill institutional/contextual gaps in support of the first two items

Each company must find its own pathway through the SDGs. We decided to find out how the leaders of 20 companies are approaching the issues surrounding the SDGs while innovating in their practice of inclusive business. These are the “inclusive innovators” on which we conducted our study. Our conversations surfaced 10 essential questions every company CEO must consider when deciding on investing in the SDGs, in particular, and in global sustainable development more broadly.

Agribusiness



Olam

Sunny Verghese: Cofounder, Managing Director, and Chief Executive Officer

Apparel Manufacturing and Retail



Gap Inc.

Art Peck: Chief Executive Officer

Dan Henkle: President, Gap Foundation and SVP Global Sustainability

Levi Strauss & Co.

Kim Almeida: Senior Program Manager

Fossil

Kosta Kartsofis: Chief Executive Officer

Aviation



Southwest Airlines

Megan Lee: Senior Manager for Community Outreach

Debra Benton: Director of Community Relations / Charitable Giving

Building and Construction



Saint-Gobain

Dina Silver Pokedoff: Senior Manager, Brand and Communication

Food and Beverage



Coca-Cola

Muhtar Kent: Chief Executive Officer

Diageo

Ivan Menezes: Chief Executive Officer

David Croft: Global Sustainable Development Director

SABMiller*

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Starbucks

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Fast Moving Consumer Goods



Unilever

Paul Polman: Chief Executive Officer

Financial Services



Barclays

Mark Thain: Founder of Barclays Social Innovation Facility

Mastercard

Ajay Banga: Chief Executive Officer

Shamina Singh: President, Mastercard Center for Inclusive Growth

Healthcare



Genzyme

David Meeker: President and Chief Executive Officer

Sanofi-Aventis

Sridaran Natesan: Vice President of Strategic Initiatives and Scientific Relations



Essilor

Jayanth Bhuvanaraghan: Chief Corporate Mission Officer

Janssen

Jami Taylor: Senior Director, Global Access Policy

Information Technology



EMC*

Kathrin Winkler: Senior Vice President of Corporate Sustainability and Chief Sustainability Office

IBM

Celia Moore: Director of Corporate Citizenship, Europe, the Middle East, and Africa

Microsoft

Simon Wilkie: Chief Economic Policy Strategist, Microsoft Research

Oil and Gas



BP

Dominic Emery: Vice President of Long-Term Planning

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takeaways

Each company we interviewed has a footprint that covers some part of the SDG “game board,” the entire panel of 17 goals.

Currently, among the organizations that are encouraging private sector coordination and participation, there is a little too much of an effort to signal the holistic nature of the initiative by dealing with all 17 goals as a block. Several companies’ marketing departments have rushed to connect the company brand to each of the 17 goals. Such initiatives run the risk of reducing the SDG agenda to an exercise that is either a gift to bureaucrats or to marketers, disregarded by the managers who own P&Ls and run business units or innovate.

From a management perspective, in order to make these goals more actionable, it is better to first view them as a logical system, with some goals as “endstates” and others as essential building blocks—more means than ends—while yet others are enablers, usually outside the reach of the company. Next, of the remaining goals, each company must identify ones that are not relevant to its businesses or have few

points of intersection with its value chains and eliminate them from the company’s zone of focus. Finally, the company would settle on the goals for which it has maximum leverage—relevant for its business objectives and where the company has the capability to make a difference, at scale. Some “killer app” goals—with clean water and sanitation being an example—are opportunities to get multiple innovative companies and technologies to coordinate or come together. This exercise would make the SDGs less daunting and conceptual, less of a prop for pure brand-building, and make them more practical, meaningful, and actionable. Most importantly, as more large companies take this route, with some coordination and data-driven accounting of commitments and actions we can expect some tangible impact on people, planet and policy endstates. As has become amply clear from our research, a fourth “P” would be part of the equation as well: profits.

...as more large companies take this route, with some coordination and data-driven accounting of commitments and actions we can expect some tangible impact on both people and planet. As has become amply clear from our research, a fourth “P” would be part of the equation as well: profits.

THE SDG PANEL



Viewed in this light, the 17 SDGs can be organized as a logical interconnected system rather than a game board, with an expectation that somehow it is necessary to step on every part of the board in order to “win.” Some of these goals—for example, SDG 1 (Zero Poverty) or SDG 15 (Life on Land)—would be too broad for a company to realistically pursue while meeting the commercial viability or scalability requirements. Some goals, such as SDG 16 (Peace, Justice, and Strong Institutions), are enablers for which much of the onus must fall on noncorporate actors. Others goals might be very industry-specific, such as SDG 14 (Life Below Water), which is closely tied to the activities of fishing companies or of companies with facilities close to water sources but may be less directly relevant for other companies. Some goals—for example, SDG 12 (Responsible Consumption and Production)—have wide relevance, and companies across many industries have leverage points in their internal activity systems or external value chains to make a difference in helping achieve this goal.

Virtually every company will need to explore cross-sector partnerships to get to the other objectives; thus, SDG 17 (Partnerships for the Goals), a foundation that helps get to the others.

Virtually every company will need to explore cross-sector partnerships to get to the other objectives; thus, SDG 17 (Partnerships for the Goals), a foundation that helps get to the others.

Each company’s management must create its own pathway through the SDGs. We learned how the leaders of 20 companies are approaching the issues surrounding the SDGs while innovating in their practice of inclusive business. We list our “inclusive innovators” below with the SDGs that are likely to be most affected by their activities based on what we learned from our interviews. In some cases, their footprint extends beyond their official position on where they have chosen to focus; for example, Olam officially declares SDG 2 and SDG 17 as their areas of priority.

It is now time for all companies to:

1. Explore their individual perspectives on the 10 questions and develop answers that are compatible with management objectives.
2. Develop their own pathway through the 17 SDGs and hone in on the goals that constitute leverage points.
3. Set targets and mechanisms for tracking progress.
4. Coordinate with peers and cross-sector partners on all of these issues.
5. Take action. Track progress and the competitive and development context. Make necessary changes. [1]

Agribusiness

Olam

- 2 Zero Hunger
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 17 Partnerships for the Goals

Apparel

Gap Inc.

- 5 Zero Gender Inequality
- 8 Decent Work and Economic Growth
- 10 Reduced Inequalities
- 17 Partnerships for the Goals

Levi Strauss & Co.

- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 10 Reduced Inequalities
- 12 Responsible Consumption and Production
- 17 Partnerships for the Goals

Aviation

Southwest Airlines

- 12 Responsible Consumption and Production
- 13 Climate Action

Building

Saint-Gobain

- 8 Decent Work and Economic Growth
- 11 Sustainable Cities and Communities
- 17 Partnerships for the Goals

Food + Beverages

Coca-Cola

- 3 Good Health and Well Being
- 5 Zero Gender Inequality
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 12 Responsible Consumption and Production
- 17 Partnerships for the Goals

Diageo

- 3 Good Health and Well Being
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 17 Partnerships for the Goals

SABMiller

- 1 Zero Poverty
- 2 Zero Hunger
- 3 Good Health and Well Being
- 5 Zero Gender Inequality
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 12 Responsible Consumption and Production
- 13 Climate Action
- 15 Life on Land

Starbucks

- 8 Decent Work and Economic Growth
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 17 Partnerships for the Goals

Consumer Goods

Unilever

- 5 Zero Gender Inequality
- 6 Clean Water and Sanitation
- 8 Decent Work and Economic Growth
- 10 Reduced Inequalities
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 13 Climate Action
- 17 Partnerships for the Goals

Financial Services

Barclays

- 8 Decent Work and Economic Growth
- 11 Sustainable Cities and Communities
- 17 Partnerships for the Goals

Mastercard

- 8 Decent Work and Economic Growth
- 10 Reduced Inequalities
- 17 Partnerships for the Goals

Healthcare

Genzyme/Sanofi

- 3 Good Health and Well Being
- 17 Partnerships for the Goals

Essilor

- 3 Good Health and Well Being
- 8 Decent Work and Economic Growth
- 17 Partnerships for the Goals

Janssen/J&J

- 3 Good Health and Well Being
- 17 Partnerships for the Goals

Information Technology

EMC

- 9 Industry, Innovation and Infrastructure
- 12 Responsible Consumption and Production
- 17 Partnerships for the Goals

IBM

- 6 Clean Water and Sanitation
- 9 Industry, Innovation and Infrastructure
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 17 Partnerships for the Goals

Microsoft

- 4 Quality Education
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 17 Partnerships for the Goals

Oil + Natural Gas

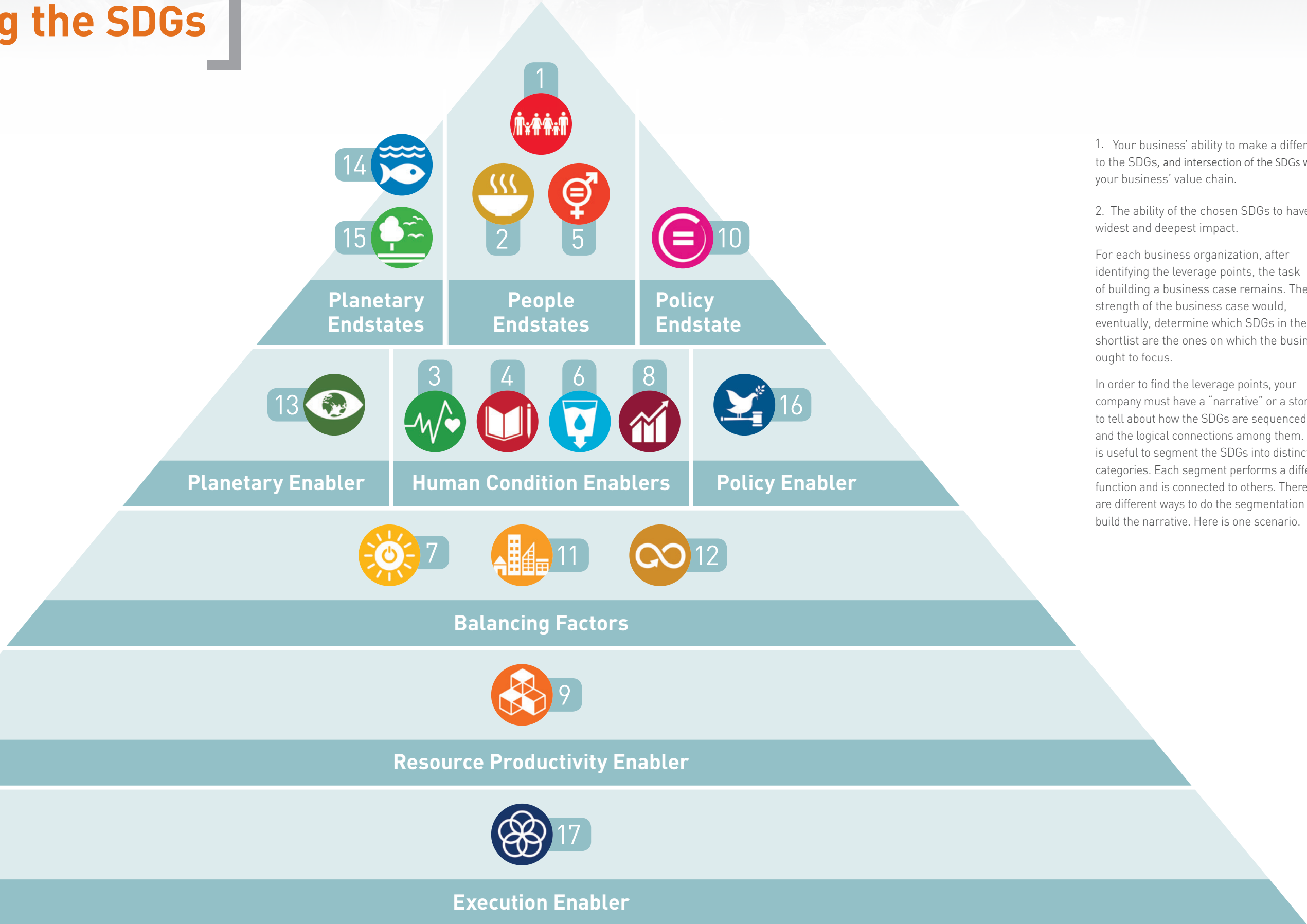
BP

- 7 Affordable and Clean Energy
- 9 Industry, Innovation and Infrastructure
- 12 Responsible Consumption and Production
- 13 Climate Action
- 17 Partnerships for the Goals

[segmenting the SDGs]

The SDGs are presented as an interdependent and comprehensive solution to a large set of people + planet + policy challenges. However, for individual organizations, the monolithic structure is too large—it is neither meaningful nor actionable. Nor are the goals all at the same level; they need to be segmented into different categories of SDGs: some goals are means to ends, others are more focused and help get to larger goals, and some goals are more connected and impactful than others. Besides, from an organization's perspective, different companies and institutions have different degrees of leverage on each of these.

In order to strategically engage with the SDGs that have the potential to wield the most impact for your business, we suggest you pick the SDGs that represent true leverage points for your business and its partners—public, private, and social. These leverage points are determined by:



1. Your business' ability to make a difference to the SDGs, and intersection of the SDGs with your business' value chain.

2. The ability of the chosen SDGs to have the widest and deepest impact.

For each business organization, after identifying the leverage points, the task of building a business case remains. The strength of the business case would, eventually, determine which SDGs in the shortlist are the ones on which the business ought to focus.

In order to find the leverage points, your company must have a "narrative" or a story to tell about how the SDGs are sequenced and the logical connections among them. It is useful to segment the SDGs into distinct categories. Each segment performs a different function and is connected to others. There are different ways to do the segmentation and build the narrative. Here is one scenario.

Balancing Factors

These are actions, processes, product choices, and business models that help strike a balance between the distinct needs of three key forces: people, planet, policy principles:



Resource Productivity Enabler

These are the areas that demand high investment and capital-intensity and create the foundations of growing, competitive, and productive economies:



Policy Endstate

These are the areas where policymakers, governments, and international bodies can create a fair global society:



Planetary Condition Enabler

This is the essential intermediary that creates conditions to get to the sustainability tolerance endstates:



People Endstates

These are absolute "zero-tolerance" endpoints and should be considered sacrosanct, equivalent to basic human rights:



Policy Enabler

These are the institutions, measures, laws that can be adopted to achieve fairness:



Planetary Endstates

These are the endpoints for the acceptable and sustainable state of the planet, including life of all forms and the state of the natural resources and environment:



Execution Enabler

This is the mechanism by which the multipliers are themselves amplified; action is taken at a global scale and is responsive to local needs:



Human Condition Enablers

These are essential intermediary SDGs that create the conditions to get to the zero-tolerance endstates:





question one

Why Would Business Have Any Business in Sustainable Development?

In 2015, in its annual General Assembly in New York, the UN General Assembly committed to “eliminate poverty in all its forms everywhere” by 2030.¹

The Sustainable Development Goals (SDGs) were launched with much fanfare, endorsed by heads of state, celebrities, and CEOs. Thanks to a campaign on Twitter, Instagram, and other social media platforms, the SDGs launch was the top trending topic in the US during the assembly.²

Since then, the headlines have moved elsewhere. By fall 2016, the word “Trump” seemed to trump virtually anything else in the media. Heads of state have returned to other pressing matters. The celebrities who spoke up for the SDGs—Usain Bolt,³ Jordan’s Queen Rania,⁴ and Beyoncé⁵—have moved on to other Tweetable events.

A recent survey paints a sobering picture of business engagement with the SDGs. Only 37% of corporate respondents in the US said they were planning to engage with them.⁶

Additionally, the top three goals of possible interest to business were SDG 13 (Climate Action), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production)—all classic public goods. Our worry is that they are vulnerable to a tragedy of the commons: Each CEO has a unilateral incentive to under-engage because the benefits are so diffuse and shared so widely.

That said, the rise of Trumpism and the backlash against an unqualified pursuit of globalization and fast growth may have had some value: The idea of inclusive growth has developed a renewed urgency and was echoed in the recent G20 summit, as well as in other venues. The essence of the SDGs clearly cannot be ignored. As 2030 is not that far away when one considers

the magnitude of the goals, it is worth asking which of the many stakeholders can maintain the momentum. Whose incentives are most closely aligned with achieving the goals, and who has the resources to execute at scale across countries?

The answer is unavoidable: Global business, as a stakeholder group, is best positioned to take the lead.

Supported by the Citi Foundation, we at The Fletcher School, Tufts University have launched Inclusion, Inc. We have engaged in research, analysis, and in-depth conversations with key business decision-makers, from CEOs to sustainable development officers. Our purpose is to understand how those decision-makers are integrating investments in sustainable development into their strategic mix. In this report, we’ll share highlights of what we’re learning and the implications for business and development sector leaders.

...which of the many stakeholders can maintain the momentum. Whose incentives are most closely aligned with achieving the goals, and who has the resources to execute at scale across countries?

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To get started, let’s consider two rules of the road en route to 2030.

A. The SDGs Cannot Succeed Without Business Leadership

A few macro-realities:

- The World Bank recently moved the goal posts by shifting the poverty line from \$1.25 a day to \$1.90 a day.⁷ A nearly 50% increase in the poverty threshold makes getting to the goals even harder.
- In the case of the Millennium Development Goals (MDGs), it could be argued that China’s state-led initiatives alone explain the dramatic reduction in poverty thus far.⁸ With China slowing down, the next phase will require progress more evenly across other developing countries. Emerging markets have been coping with slow growth for five consecutive years. With challenging sociopolitical contexts prevailing in most of them, governments in the developing world will struggle to deliver.
- Governments in developed economies are also handicapped, with a plethora of domestic challenges, slow growth, and declining productivity.

Since it accounts for 90% of the world’s jobs⁹ and 60% of global GDP,¹⁰ the private sector has a disproportionate degree of leverage and potential to fill the gaps. Considering the \$3 trillion per year price tag (by some estimates)¹¹ to accomplish the SDGs, and with governments having reneged on past commitments to the MDGs, another deep-pocketed stakeholder must step in. Sustainable development depends on sustainable business.



B. Sustainable Development Serves Sustainable Business Interests

According to estimates from McKinsey, there could be a \$30 trillion consumer market in 2025 in emerging markets.¹² But as these markets experience slow growth and currency devaluations, the \$30 trillion prize seems more distant. In the longer term, the failure to close many of the gaps in getting to the SDGs would cause the realized value of these markets to fall far short of the estimates. Missing the goals will lead to significant “trapped value.”¹³ As Secretary General Ban-Ki Moon put it: “The case is clear. Realizing the Sustainable Development Goals will improve the environment for doing business and building markets.”¹⁴

This begs a question:

How Can The SDGs Help Businesses Orchestrate Action?

Our research highlights why companies invest in sustainable development—and why they don’t invest enough.¹⁵ The most frequently cited motivation was that of mitigating business risk from disrupted

operations, supplies or reputational damage. The need to adhere to industry norms of transparency, traceability, and environmental responsibility came in second, with winning share and establishing a beachhead with future customers as the third. The more readily measurable and the more immediate the issue, the more highly motivating it is.

Balanced against these motivating factors are the barriers. A top barrier to taking action is the complexity of the context in most developing regions. With partnerships with local actors essential for execution, companies find it hard to work with and coordinate across so many disparate multisector stakeholders.

The SDGs offer an organizing framework for partners to agree to a common end-point from which to work backwards. Having a publicly declared goal helps keep partners motivated to follow through or face significant reputational risk—and thus mitigate the tragedy of the commons.

The biggest risk is if companies find it too lofty and too much of a “UN initiative” or one best left to governments, and therefore they disengage. It requires imagination to make the link between sustainable business and

sustainable development. Each CEO should imagine the world of 2030 with and without progress on the goals and consider what the differences would be for their respective companies. A year has passed rather quickly, and the next 14 years will also go fast; as we have observed earlier, 2030 is really not that far away.

The first step towards eliminating poverty in all its forms, everywhere, is to first eliminate poverty of the imagination. [1]

The SDGs offer an organizing framework for partners to agree to a common end-point from which to work backwards. Having a publicly declared goal helps keep partners motivated to follow through or face significant reputational risk—and thus mitigate the tragedy of the commons.

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question two

Should Investing in Sustainable Development Be a Priority in a Slow-Growing Global Economy?

The first anniversary of the launch of the 2030 Agenda¹ has only just passed—and when it comes to implementing sustainable development worldwide, time passes rather quickly.

In July, 2016, The High Level Political Forum (HLPF) on Sustainable Development convened in New York, the first since the adoption of the UN Sustainable Development Goals (SDGs).² It comes hot on the heels of businesses getting a reminder from Secretary-General, Ban Ki-moon, at the UN Global Compact Leaders Summit in New York on June 22, who told those assembled that, “All businesses, everywhere, can and should play a role in improving our world.” He also added, “That starts with integrity—doing business right.”

Doing business right involves integrity at many levels, with commitments to ethical principles as well as commitments to shareholders. In the current economic climate, balancing “improving our world” and “doing business right” can seem a little challenging. After all, the state of the global economy is not helping. The Brexit vote in June and the U.S. presidential election outcome in November may not be the last nails on globalization’s coffin, but the pallbearers have been put on high alert.

The Brexit vote in June and the U.S. presidential election outcome in November may not be the last nails on globalization’s coffin, but the pallbearers have been put on high alert.

The world’s two largest economies, China and the US, are already at loggerheads on the disputes ranging from trade³ to issues of territorial encroachment by China.⁴ The EU and Japanese economies are struggling. Multiple crises—political, security, and

humanitarian—stretch across the globe. Even the formerly dynamic emerging markets are in a state of slowdown. Therefore, it should not be a surprise that the SDG Index and Dashboard show that all countries face major challenges in achieving the SDGs by 2030.⁵ Even the top-ranked country, Sweden, scores an alarming “red” on several goals.

The region we are most concerned about is Africa. While the continent enjoyed a short-lived “Africa Rising” moment, it now struggles with slowing growth because of prospects for drought and dropping demand for its commodities. The World Bank predicts growth of 2.5% for Sub-Saharan Africa—a 17-year low for the region. A key indicator of worry is when multinational companies, with deep experience in the region, head for the exits: Nestlé is cutting 15% of its workforce across twenty-one African countries, while Barclays is out altogether.⁶

From the standpoint of the 2030 Agenda, Nestlé’s exit is particularly troublesome for many reasons. First, without demonstrable progress in Africa, the SDGs will fail. The retreat of a formidable player such as Nestlé would cause us to question the realism of the 2030 Agenda as conceived. The second reason for worry stems from the business rationale offered by the company. “We thought this would be the next Asia, but we have realized the middle class here in the region is extremely small and it is not really growing,” said Cornel Krummenacher, chief executive for Nestlé’s equatorial Africa region.⁷ This suggests that the carrot that entices well-resourced businesses to invest in the developing world is, in reality, much shorter than previously anticipated. Nestlé’s actions would, naturally, be a signal to others. The third

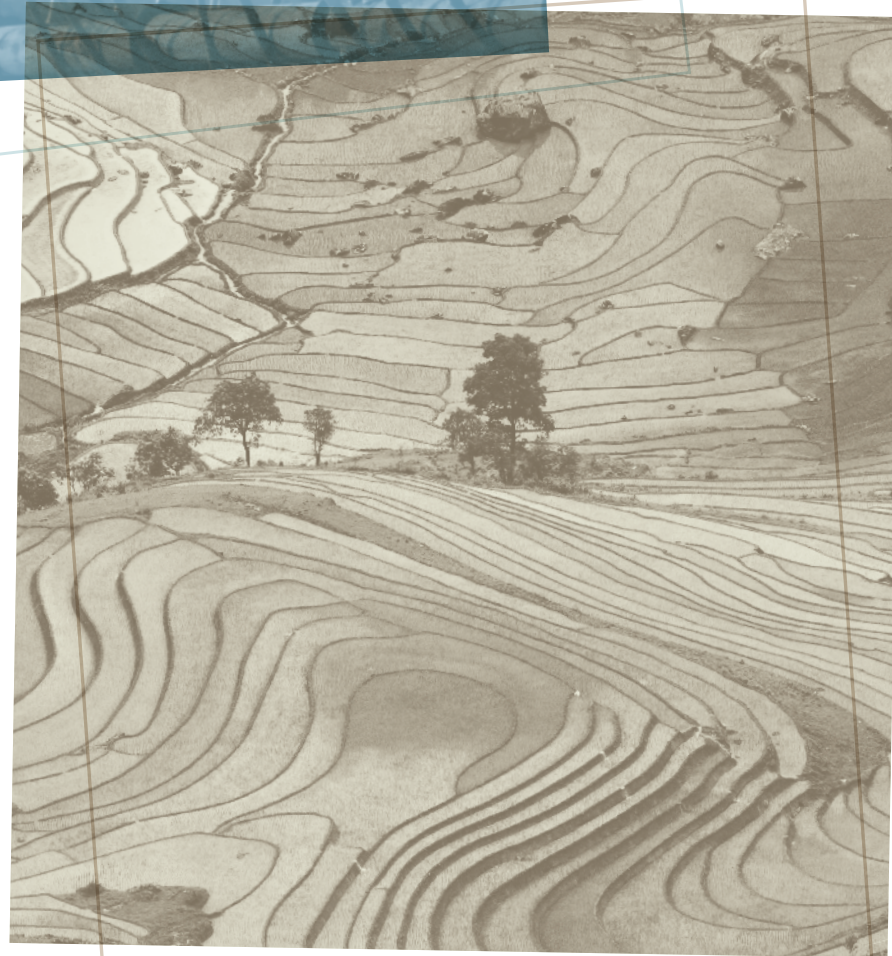
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reason to be concerned is that Nestlé is a standard-bearer among companies with a commitment to sustainable development. In a recent report, the company highlights impressive examples of the steps it has taken to deliver against each of the Millennium Development Goals.⁸ In the case of the SDGs, Nestlé has made 39 public commitments.⁹ Given its embedded experience and investment in an ecosystem for promoting sustainable development, Nestlé’s drawdown is a loss.

Should we therefore assume that we are destined to fall behind on the 2030 Agenda and recalibrate expectations? Not so fast. We have made the point elsewhere in an article, “Finding Competitive Advantage in Adversity,” in the *Harvard Business Review*, that adversity often produces the best conditions for unlocking new opportunities by tapping resources that may elude us during the good times.¹⁰

...adversity often produces the best conditions for unlocking new opportunities by tapping resources that may elude us during the good times.

To grasp how this might work in practice, consider the case of the agribusiness giant Olam International and its countercyclical



investments in Africa, facilitated by the downturn. As part of our Inclusion, Inc. research initiative, we spoke with Olam's cofounder and CEO, Sunny Verghese, for a broad perspective on the company's approach to investing in sustainable development. Olam's farmer network is now at 3.9 million across 65 countries, with over 80% in the developing world. Investing in this network is an essential part of its business strategy. As Verghese put it, "It is easy to get a license to operate in the country from the government. But the community will not give you a license—you will not survive if you do not help transform its means of livelihood."¹¹

Now consider Gabon, a country that has traditionally relied on its oil reserves for 85% of its exports and about 50% of revenue. The depressed price of oil and resulting collapse of oil revenues presented a potential crisis for the government, with GDP growth dropping to about 3.2% this year, from 4% in 2015, according to the IMF. This crisis was also an opportunity to think differently about the Gabonese economy and break out of a "resource curse."¹² The country can pivot by re-directing the unemployed resources towards new uses. Gabon's pathway to sustainable development could be through diversification by growing cash crops, such as palm oil and rubber; specifically, the government's plan was to boost agriculture's share of the economy from 5% to 20% by 2020.

Toward this end, Olam began working with the Gabonese government in a public-private partnership: the government of Gabon provides land, finance, and logistics infrastructure for developing the smallholder plantations, while Olam lends expertise in palm plantation development and establishing rural investment models to develop and manage the plantations. Parcels of land are identified and allocated to Gabonese citizen cooperatives, whose members undergo plantation management training. Olam is also investing in the training: cocoa farming practices in Cote d'Ivoire, bulldozer operating in Morocco, and modern farming techniques at palm oil plantations in Malaysia.

In a speech, Verghese commented, "This is the first time a program of this scale and nature has been undertaken in Africa—in Gabon where we now have the opportunity to promote the growth of the palm industry through local capacity building and supporting rural Gabonese in their aspiration to become business owners."¹³

Of course, all of these initiatives help Olam meet shareholders' interests, with integrity—and do business right. According to Verghese, "Our shareholders said we don't want management to spend on social activities. Just give the money back as dividends. In order to invest in doing good in the community—we need to make the business case. We only invest in areas where we have expertise and where there is mutual value for the company and the community."¹⁴

No doubt, the global economy is going through a period of several overlapping challenges. In some parts of the world, such as Sub-Saharan Africa, these may seem like the worst of times—at least in the last 17 years. However, with farsighted leadership and some imagination, the worst of times may well turn out to be the best of times. []

INCLUSIVE BUSINESS AT OLAM

In 2013, Olam put doing good at the core of its business through its "Growing Responsibly" initiative. At Olam, "Growing Responsibly" means extending the value chain to improve end-to-end supply chain sustainability in seven capacities: livelihood, water, land, food security, labor, climate change, and food safety. Olam has focused much of its inclusive business activities on two specific UN Sustainable Development Goals (SDGs): to end hunger (SDG 2) and to revitalize the global partnership (SDG 17). In addressing these goals, Olam seeks to engage private sector movement through an industry-wide forum to foster information sharing and to identify where industry players can coordinate their inclusive business activities.

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question three

Great. You Have Been Signed Up for the Sustainable Development Goals. There Are so Many—Where Should You Focus?

This past June, we were struck by the unprecedented linking of arms at Cannes by CEOs of the advertising industry’s “big six” competitors:

WPP, Dentsu, Havas, IPG, Omnicom, and Publicis announced they would commit to the UN Sustainable Development Goals (SDGs) to collectively build awareness and work with their clients in achieving them.¹ Visionary commitments to sustainable development are inspiring and create halos for corporate brands. However, meaningful change will require companies to go beyond visionary intent or uplifting hashtags. Companies need to focus, declare specific targets, and invest resources, people, and time in a few carefully chosen areas. Moreover, these priorities should be set at the very top of the organization.

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Focus is essential for several reasons. Companies have to prioritize and allocate scarce resources to have impact at scale. A carefully selected tangible goal helps communicate the rationale to all stakeholders. Most significantly, the discipline of having to make a choice encourages company management to reflect on its areas of comparative advantage and consider how it is best positioned to contribute to solving complex development problems.

Consider two companies, Mastercard and Coca-Cola, both part of our Inclusion,

Inc. research initiative. The very different approaches—one with a laser-like focus, the other broader—of companies as distinct as these two provide a guide to others on the importance of focus and how to go about it.

Consider this response from Mastercard’s CEO, Ajay Banga, on the company’s point of focus in the area of inclusive growth:

Inclusion is an idea whose time has come. It’s our down payment on a better future for ourselves and for the planet. We’re helping include more people in the financial mainstream, so they can get access to insurance, save money for a rainy day, and pay their bills without standing in queues for hours, things many of us tend to take for granted. Doing this makes business sense because it drives electronic payments. It also reduces the role of cash around the world. Both are important to our bottom line and our strategy. We’ve committed to reaching 500 million people in this inclusion program by 2020 with the help of our partners. We’re well on our way at 200 million.²

Mastercard’s target is linked to SDG 8 (Good Jobs and Economic Growth), as noted when the company joined the 35 corporate commitments made in September 2015 at the launch of the UN 2030 Agenda.³

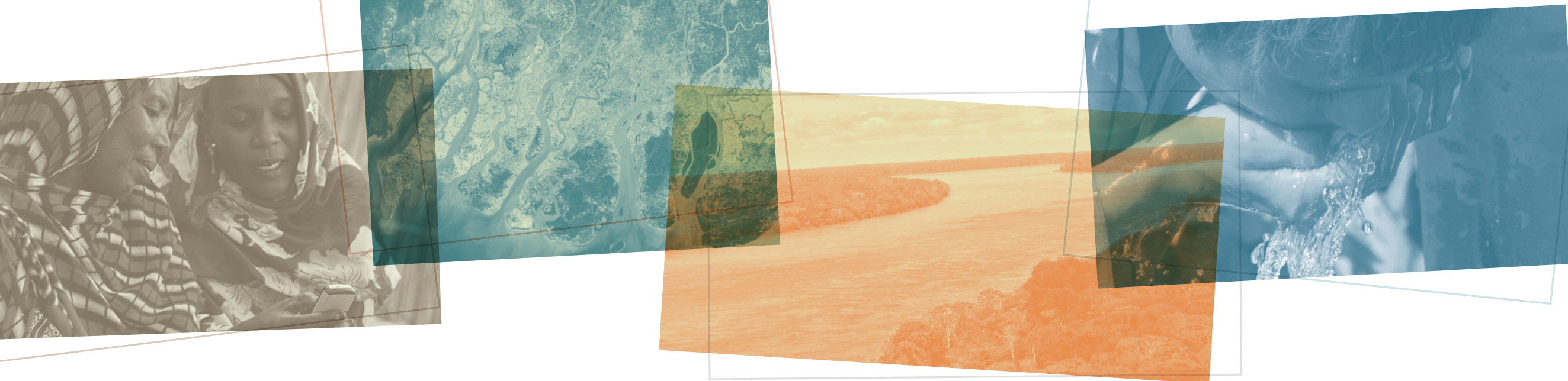
The choice is remarkable for several reasons. First, it is directly linked to Mastercard’s objective of enabling cashless payments and is tied to how the company

Inclusion is an idea whose time has come. It’s our down payment on a better future for ourselves and for the planet.

frames its largest untapped growth opportunity: making inroads into the estimated 85% of the world’s population that operates with cash.⁴ The second aspect of this goal is its practicality: it is easily communicated, and the rest of the Mastercard organization can mobilize to help achieve the target. The goal sets out an objective in an area in which Mastercard has leverage, through market relationships,

INCLUSIVE BUSINESS AT MASTERCARD

Mastercard is a global financial services company that operates in 210 countries and territories around the world. It seeks new market opportunities in emerging markets in part by focusing its inclusive business activities on financial inclusion. The company works across sectors through partnerships with governments, NGOs, and other private companies to achieve its goal of not only access, but also the utilization of financial tools by excluded populations in developing countries. To this end, Mastercard engages in inclusive business through several programmatic offerings supported by sector-spanning partnerships which seek to bring financial services to all corners of the globe. Access to finance for the unbanked can be a powerful mechanism of growth not only for developing countries, but also for Mastercard, as it stands to benefit from an increase in the size of its network.



technology, and expertise. And the quantitative nature of the target also makes it easier to measure progress.

The specificity of the goal also helps place it in the larger picture. Mastercard's commitment is part of a parallel initiative led by The World Bank to mobilize a network of partners who have committed to creating 1.95 billion financial accounts by 2020.⁵ With two billion adults lacking access to an account, according to Global Findex 2014, this would, in essence, close the gap on financial access.⁶ Of course, financial access is only the first step. The accounts have to be used in productive ways to translate into "good jobs and economic growth." Mastercard's sharply focused goal makes clear which other parties need to step in, fill additional gaps, and solve the larger development problem.

Alternatively, consider a more complex company, Coca-Cola, with 500 brands, over 3,800 beverage choices, and a value chain spread across 200 countries. Coca-Cola's footprint is vast. If one were to ask which of the SDGs it can help advance, the answer turns out to be all of them. Coca-Cola provides 17 distinct case studies—one for each goal—to make the point.⁷

This might convey the false impression that Coca-Cola is mobilized to single-handedly change the world. When we asked CEO Muhtar Kent about the company's priorities, his response indicated that even Coca-Cola organizes around focal points: "We created

a framework around our three W's: water, women, and wellbeing. We picked three areas that really matter to our business, areas that we can connect straight into the core functionality of what we call a brand with a purpose," said Kent.⁸

Both water and wellbeing represent potential collisions between Coca-Cola's business needs and societal interests. The water used in the company's products competes with the supplies of clean drinking water around the world. In addition, consumer health concerns have led to a decline in demand for sugary drinks.⁹ Coca-Cola is in effect investing in two of the most significant factors constraining its growth and, in doing so, helping advance SDG 3 (Good Health) and SDG 6 (Clean Water and Sanitation).

As for the third W, women—which helps advance SDG 5 (Gender Equality)—that, too, is tied to corporate growth objectives. The company's program emphasizes expanding the entrepreneurial potential of women to help families and communities around the world prosper. "We have an innate belief that when we help create stronger communities, we will then have a stronger business in our communities," said Kent.¹⁰

"We have an innate belief that when we help create stronger communities, we will then have a stronger business in our communities,"

As is the case with Mastercard, focus helps Coca-Cola set targets and track progress. Consider Coca-Cola's water initiative. It had a goal of "water neutrality": by 2020, it would return to communities and the environment an amount of water equivalent to what it uses in its beverage production. Kent said the company declared water neutrality five years early—by December 2015—through reduction, recycling, and replenishment. Not only is this a way to track progress, but it also creates a mechanism for critical debate on Coca-Cola's impact on water availability worldwide.¹¹

Mastercard and Coca-Cola's cases suggest that to answer the question of where to play on the SDG game board,¹² companies should consider three criteria:

1. Does the goal affect participants in our value chain?
2. Does our company have the leverage to make a difference?
3. Can we make the business case internally to invest in this area?

CEOs and their companies can help change the world; however, no amount of lofty advertising will make actual change happen. They have to start with a few specific areas that are clear, measurable, and down-to-earth. [1]

INCLUSIVE BUSINESS AT COCA-COLA

Coca-Cola, the world's largest beverage company, achieves its success by being a trusted and reliable partner across the supply chain. When it comes to inclusive business activities, its goal is to have global reach through local operations, with initiatives that support healthy living; create a safe, inclusive work environment; and enhance the economic development of the communities where they operate. Inclusive business activities at Coca-Cola are focused on partnerships in three areas: women, water, and wellbeing. Coca-Cola's impetus behind implementing inclusive business was to create additional stakeholder value by integrating the principles and practices of sustainability, inclusivity, and cost reduction into the "heart of the enterprise," beverage production, and distribution. In addition to individual initiatives and programs, Coca-Cola has used multilateral initiatives through The Consumer Goods Forum to reduce its environmental impact in concert with key partners along the supply chain.

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question four

Why Is “Partnerships for the Sustainable Development Goals” a Sustainable Development Goal?



Of the 17 Sustainable Development Goals, the 17th is the odd one out. As “Partnerships for the Goals,” it is a goal that helps you get to the other 16 goals.

For most businesses committed to sustainable development, however, this 17th goal may be the most essential—and challenging—one to accomplish.

Consider a company such as Unilever, routinely considered among the most sought-after of employers.¹ According to CEO Paul Polman, Unilever is so in-demand because it is perceived to be a “place of purpose.”² It turns out that much of the company’s “purposeful” activity is done in collaboration with employees of organizations outside Unilever. In addition to the extensive list of partners and consortia cited on its website,³ it steadily continues to add new partners with a variety of specialist areas of expertise—a consultancy, 2degrees, to achieve zero waste in its supply chain;⁴ International Flavors & Fragrances Inc., to enhance the livelihoods of Haitian smallholder vetiver farmers;⁵ the Hubbub Foundation, an environmental charity, and food waste specialist Wrap, to help cut food waste in the UK.⁶

It cannot be easy for large, globally dispersed corporations such as Unilever to work with such a disparate network of partners ranging from large and small

...for most companies with more limited resources, the key to success would be to invest deeply in fewer partnerships to focus on strategic relationships, establishing trust and building bridges across natural organizational chasms.

businesses to NGOs, foundations, and governmental organizations. Each has very different goals, structures, incentives, and cultures. Unilever is exceptional in its management of an extensive partner network, a hard act to follow. As we learned from our Inclusion, Inc. research initiative, for most companies with more limited resources, the key to success would be to invest deeply in fewer partnerships to focus on strategic relationships, establishing trust and building bridges across natural organizational chasms.

Dan Henkle, Senior Vice President of Social Responsibility at Gap Inc., spoke of the benefits of consolidating their supplier base, for example, thereby increasing leverage and the ability to share knowledge and conduct more thorough monitoring. “Back when we had 3,500 factories and thousands of vendors, we had less of a partnership,” he said.⁷

Our research reveals five principal criteria to strategically select partners based on how they can create value for companies investing in sustainable development:

Closing Gaps in the Inclusive Business Value Chain

As companies expand into disadvantaged and underserved market segments, they confront significant gaps in the value chain. Partners with specialized local expertise are often essential for closing the gaps.

According to Rodney Hines, Director of Community Investments at Starbucks, the company planned to open “new stores in economically challenged communities where [Starbucks] will be a part of the continued economic development of

INCLUSIVE BUSINESS AT STARBUCKS & YOUTHBUILD

Starbucks’ mission to build a “world class company with a conscience” drives all aspects of the organization—from its supply chain to hiring practices—always with the intent of making Starbucks a socially responsible company. This approach to business has successfully associated Starbucks with inclusive business activities, and inspired socially conscious consumers to choose Starbucks over its competitors. The company’s domestic community investments focus on developing economically depressed communities and helping disadvantaged youth.

YouthBuild USA, a nonprofit organization that provides pathways to skill development resources, education, and mentorship to at-risk youth, has partnered with Starbucks to cocreate a Customer Service Excellence Training Program (CSET). This is offered to young people at training centers within participating local programs to help them develop retail and customer service skills. CSET has successfully created a talent pipeline of entry-level barista, food service, and customer service positions. Effectively scaling the program continues to be a goal for both organizations.



INCLUSIVE BUSINESS AT UNILEVER

Unilever is proving that climate change can create business opportunities. The company “has a simple but clear purpose—to make sustainable living commonplace,” which Unilever believes is the best way to grow business in the long term. In 2010, Unilever adopted a Sustainable Living Plan that informs all elements of the company’s business strategy, from product development to supply chain. This plan reflects the company’s commitment to inclusive business activities, charting growth in a way that takes into consideration environmental issues. As Paul Polman, CEO of Unilever, stated: “There is no trade-off between business and sustainability;” and in the case of Unilever, it has created substantial financial value for the company. In 2015, over half of Unilever’s growth came from Sustainable Living Brands alone, and since 2008, the company has been able to save €244M by reducing its energy consumption during production.⁵ Unilever continues to be a success story of how to make sustainability a core feature of the business model.

those communities, but not in an effort to move those communities further along towards gentrification.”⁸ The company contributes to economic development by hiring locally and sourcing local products. To this end, Starbucks has a partnership with YouthBuild USA, an NGO that helps low-income youth gain the skills they need for employment, and the Shultz Family Foundation, to create a career development program for at-risk youth.

For a strategic partnership to work, the benefits must run in both directions. Sangeeta Tyagi, President of YouthBuild USA, explained that the partnership is valuable to them because “one of the elements of all our corporate partnerships, including with Starbucks, is that the companies have workforce needs. They need workers who [...] have the skills and training coming into the company.”⁹

Extending Reach into Local Contexts

While a company’s vision for sustainable development might be set at the center, the execution happens at a hyper-local level. Large companies do not have natural advantages in serving disparate communities that require a highly customized on-the-ground presence. This explains why Barclays partners with local NGOs, who have a better understanding of the needs of customers in its inclusive business activities. Rural

While a company’s vision for sustainable development might be set at the center, the execution happens at a hyper-local level. Large companies do not have natural advantages in serving disparate communities that require a highly customized on-the-ground presence.

farmers, for example, are not the natural clientele for Barclays. Moreover, there is plenty of skepticism to overcome—of an international bank interested in making a profit rather than investing in social impact for its own sake. Barclays’ strategic partnerships with NGOs are useful in confronting this perception problem as well, because if NGOs are trusted in the communities in which they operate, that trust is extended to Barclays as well.

The partnerships may be jeopardized as Barclays consolidates its global operations and reduces its activities in key developing regions, such as Africa, to refocus in the near term on more immediate imperatives.¹⁰ On the other hand, if it wishes to retain an option to expand in the future, sustaining the partnerships could prove to be an essential vehicle.

Scaling Up

Considering the magnitude of the problems in the developing regions, the solutions that companies offer must be scalable—otherwise, they are likely to remain purely token gestures. Essilor, for example, relies on a partner network to implement its inclusive business initiatives at scale. Greater awareness of vision correction issues is essential to promoting Essilor’s eye care products to new demographics; therefore, the company works with NGOs and other multinationals to raise awareness of access to eye care as a key health issue.

...the solutions that companies offer must be scalable—otherwise, they are likely to remain purely token gestures.

Essilor’s network includes NGOs with local expertise and access; advocacy organizations and multilateral organizations to promote the “vision agenda”; academic institutions, which provide useful research and talent; and private sector companies, governments, and development banks with shared interests that can run programs and share costs. It even views cross-industry private-private partnerships as opportunities for scalability. For example, insurance, automobile, and eye care companies could create joint initiatives to raise awareness of eye care, as accidents could be avoided with good vision.

INCLUSIVE BUSINESS AT GAP

Over the past ten years, Gap Inc. (Gap)—one of the largest global retailers in the world—has overhauled its approach to inclusive business activities. This new approach is embodied by Gap’s use of the shorthand “Big S” to describe the important role business sustainability plays in making decisions about inclusive business. In 2007, the Gap Foundation introduced its P.A.C.E. (Personal Advancement & Career Enhancement) and This Way Ahead programs to its portfolio of inclusive business activities, representing a shift from a donation-driven corporate social responsibility (CSR) model to one that runs its own programming. Creating a talent pipeline through This Way Ahead has increased the retention rate of young employees, while the company’s P.A.C.E program has trained female garment workers to advance their careers as suppliers and managers. Since the Gap Foundation operates these programs separate from the business units, full integration of inclusive business activities into the business model remains a challenge. However, by making a business case for the inclusive business programs, the Foundation is able to align its mission with that of the company, thus creating opportunities for sustainability and scalability of inclusive business activities.

INCLUSIVE BUSINESS AT SANOFI & GENZYME

Sanofi, the world’s fifth largest pharmaceutical company, develops and manufactures pharmaceuticals, vaccines, and animal health products. Genzyme, a subsidiary of Sanofi, is a US-based biotechnology company that develops and delivers therapies for rare diseases. Patients remain at the heart of the inclusive business activities for both healthcare companies. The goal of their inclusive business activities is to ensure the availability of treatment via drug development and access to treatment via fostering the growth of sustainable healthcare systems. Endeavoring to ensure that as many patients as possible have access to essential medicines, vaccines, and a full continuum of care is their stated responsibility but also their greatest challenge. Inclusive business activities are centered around two strategies: (1) partnering with nonprofit organizations and local governments to circumvent financial, geographic, or logistical barriers to treatment; and (2) building an internal business case that justifies research and development (R&D) for patient populations in emerging markets. Genzyme, specifically, does not focus on return on investment (ROI) when evaluating inclusive business; instead it considers factors such as reputation, customer expectations, and global responsibility.

De-risking and Making the Business Model Work

Building a business in the developing world is particularly challenging for companies in industries where shareholders expect high margins. For example, bio-pharmaceuticals for developing world populations are limited by scarce R&D resources, where drugs have to be paid out-of-pocket by consumers. Given China's improving healthcare system and increasing presence of payers, Genzyme, for instance, is looking for ways to engage in the market for the longer term. It has partnerships with local entities to ensure treatment delivery and product affordability for patients. Genzyme Humanitarian Programs provides therapies free of charge while simultaneously working with governments and other local entities to identify sustainable, long-term financial resources for treatments.

A key objective for Genzyme is to find ways to subsidize the cost of treatment for patients with the help of partners until the market develops. According to Genzyme CEO David Meeker, "It's not until a government, no matter how poor, how big, or how small, makes a commitment to these areas that you

"It's not until a government, no matter how poor, how big, or how small, makes a commitment to these areas that you begin to move to sustainability. They begin to pay attention, the disease gets championed, and the right things begin to happen."

begin to move to sustainability. They begin to pay attention, the disease gets championed, and the right things begin to happen."¹¹

Mitigating a Free-Rider Problem

One of the reasons why companies underinvest in sustainable development is because it creates a "public good": even competitors in the industry can get to free-ride on benefits created (for example, more robust supply chains, distribution systems to hard-to-reach consumers, substitutes that compensate for institutional voids). A possible approach to mitigating such concerns is to launch industry-wide initiatives that involve all beneficiaries to jointly make public commitments, which reduces the incentives to free-ride.

We learned about several such industry-wide efforts led by companies we interviewed: Gap Inc., BP, and Olam, for example.

Since the Rana Plaza factory collapse in Bangladesh, Gap Inc., Inditex, and Primark have signed up to the The Bangladesh Accord on Fire and Building Safety and Alliance for Bangladesh Worker Safety, two multi-stakeholder groups set up to tackle health and safety in Bangladesh's garment industry. For its part, BP is a sponsor of the Oil and Gas Climate Initiative, a collaborative industry initiative for best practices and information sharing to deliver practical solutions to climate risk. Olam helped coordinate the Building Sustainable Futures Forum in Singapore, where it brought its entire industry together to address the issue of investing in sustainable development.

Companies have traditionally been optimized around business units that carry out contractual transactions with parties on the

outside. The pursuit of SDG 17 raises the bar on what companies need to get better at: managing a diverse network of partners to accomplish sustainable development. Unilever's Paul Polman said it best when he spoke to us: "We are creating a much stronger ecosystem that takes our risk away, but it also creates enormous opportunities to broaden our products. Because once you work in partnerships often with governments or with civil society, it creates other opportunities to grow your business."¹²

"We are creating a much stronger ecosystem that takes our risk away, but it also creates enormous opportunities to broaden our products. Because once you work in partnerships often with governments or with civil society, it creates other opportunities to grow your business."

Others can follow Unilever's lead. Even with more limited resources, if they focus and strategically invest in these partnerships, there are payoffs not only in terms of advancement of the sustainable development goals but also for the companies themselves. [1]

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question five

Should the Sustainable Development Goals Mimic Business Goals and Require Data-Driven Commitments?

The fact that so many businesses are actively participating in the UN 2030 Agenda to get to the SDGs is both exciting and essential.

That said, there is a significant risk that, in many cases, the SDGs could become little more than scaffolding for corporate branding and easy fodder for public relations departments. Already, “greenwashing” has generated so much skepticism that there is even a Greenwashing Index.¹ How do we ensure that this ignoble tradition is not carried on by a new wave of “SDG-washing”?

...there is a significant risk that, in many cases, the SDGs could become little more than scaffolding for corporate branding and easy fodder for public relations departments.

Performance data is often the best detergent for cleaning up SDG-washing. When companies make tangible commitments to the SDGs, and progress and outcomes can be tracked using objective metrics, there is an opportunity for both external observers to evaluate the company’s actions and for company management to allocate resources and execute. If the SDGs are to be co-opted by a company’s branding department, we should have mechanisms to hold them accountable—with data on hand.

As part of our Inclusion, Inc. research initiative, we learned of alternative ways in which companies have committed to sustainable development and are applying data-driven approaches to manage those commitments. Data, of course, offers many benefits. It can facilitate setting targets, tracking progress, celebrating successes, or identifying gaps and the additional work to be done. That said, data can also be a two-edged sword: the safest route to a successful

outcome is to focus on a narrowly defined project with clear evidence of “shared value,”² that is, a measurable advance in sustainable development, which also creates value for the business. However, if a company aims for a broader swathe of the sustainable development challenges, with explicit quantitative targets, it runs the risk of missing some targets. The latter outcome could create public relations challenges.

Development issues are, after all, complex and multidimensional—and along several of those dimensions, the value may not always be “shared,” at least in the near term. As a result, data-driven commitments run the risk of creating a perverse incentive of managers choosing problems where success can be demonstrated and avoiding the more difficult and systemic ones.

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As illustration of this paradox and the corresponding management conundrum, consider two examples that highlight the extremes.

Projects with Direct Evidence of Shared Value

The most direct approach to a data-driven management of inclusive business activity is to organize a project with well-defined, bounded objectives and an intervention with

a measurable impact on the company and on the state of sustainable development.

Consider the example of Southwest Airlines and its Evolve project. One of the key elements of the project was fuel efficiency, which combined two issues

INCLUSIVE BUSINESS AT SOUTHWEST

Southwest Airlines, a major US commercial airline company, executes several inclusive business activities across the company. Each activity is focused on the company’s corporate citizenship motto: Performance, People, and Planet. A central tenet of inclusive business at Southwest is fuel efficiency.² Fuel is the greatest driver of cost and has the largest environmental impact, so initiatives that reduce fuel consumption not only save money but also protect the environment. Thus, fuel efficiency is often perceived as a win-win strategy, driven by business decisions along the supply chain.

While Southwest does not have a specific inclusive business division, Debra Benton, Director of Community Relations at Southwest, noted a company-wide orientation toward corporate responsibility, which supports its business, reputation, and people. Like many airline companies, Southwest faces external constraints, including existing current technology and the transportation infrastructure (airports, flight paths, fuel suppliers), which define what is feasible.

simultaneously: for Southwest, fuel is one of the primary drivers of cost and has the largest environmental impact.³ Therefore, reducing fuel consumption delivers shared value: it saves money for the airline and also reduces emissions, thereby advancing SDG 13 (Climate Action).

When Southwest replaced leather seat covers and other interior elements with lightweight, more environmentally friendly materials as part of the Evolve project, it reduced the weight of each aircraft by more than 600 pounds, saving fuel and reducing emissions. These outcomes had objective measures, which made the impact of the project readily comprehensible to managers and to external stakeholders and observers. In fact, Southwest did take its environmental responsibility even further; with 43 acres of used leather, the company identified an opportunity to do something innovative with this material rather than send it to a landfill. Through a second program called LUV Seat: Repurpose with Purpose, Southwest found ways to reuse the used leather into new products that gave back to local communities with products that have tangible benefits, while not adding further to its environmental footprint. With sharply focused objectives and measurable outcomes, Southwest gave managers the opportunity to track progress and celebrate success, while creating shared value.

Holistic Programs with Explicit Targets and Possible Value Tradeoffs

As an alternative to focused projects, consider Diageo's initiatives that take a broader, more systemic approach to sustainable development challenges. Diageo chose to be among a small group of companies that got a jumpstart on the SDGs by establishing their own goals in anticipation. Its 2020 Sustainability and

Responsibility targets are more selective and specific than the SDGs and are based on the issues that the company considers to be the most material, build on its own past performance, and align with one or more of the SDGs. Diageo has chosen three broad programmatic areas as its focus: alcohol responsibility, community development, and environmental performance. Each program emphasizes targets and measures that track progress.

For example, by 2020, the company aims to: reach a million adults with training materials that will enable them to champion responsible drinking, source 80% of its agricultural raw materials locally in Africa, and reduce water use through a 50% improvement in water use efficiency, using 2007 as a baseline. The programs are designed to be holistic to ensure broad impact. The environmental performance program alone involves many complementary targets: returning 100% of wastewater from operations to the environment safely; reducing absolute greenhouse gas emissions from direct operations by 50%, including achieving a 30% reduction along the total supply chain; reducing total packaging by 15%, while increasing recycled content to 45%; and making 100% of packaging recyclable.⁴

...systematic setting out of objective criteria makes a company's progress—or lack thereof—auditable... It makes the company's engagement with the SDGs deeper by facilitating the company's investments in several complementary initiatives.

Such systematic setting out of objective criteria makes a company's progress—or lack thereof—auditable. It allows managers to track performance against their stated goals and make adjustments. It facilitates a data-driven conversation and a diagnosis of what is or is not working wherever partners are involved. It also allows external observers to gauge how closely the company is adhering to its public commitments. It makes the company's engagement with the SDGs deeper by facilitating the company's investments in several complementary initiatives.

While Diageo's is a more integrative approach to sustainable development, it also exposes the company to the risk that, with multiple quantitative targets, there are more chances to fall short. Across multiple operations there are invariably tradeoffs to be made when inclusive business investments are incompatible with core business imperatives, at least in the near term. In many situations, company operations or corporate strategy imperatives must override the timelines set out by sustainable development targets. As Diageo's own assessments of its past progress suggest, the realities of operating have caused the company to miss its targets, six of them in environmental performance, despite making substantial progress on all.⁵ In some situations, company operations simply cannot be modified within the original time frames. In other cases, strategic opportunities arise that must be acted on. For example, Diageo acquired United Spirits in India with the knowledge that the move would compromise its ability to get to the 50% water reduction target.⁶ The acquisition was a critical opportunity for Diageo to gain advantage in a market that is almost a tenth of its global sales and potentially 25% of its growth.⁷

What should a company do? Well-executed projects, such as Southwest's Evolve,

with clarity of objective and execution should certainly be pursued. However, our suggestion would be to push even further, to err on the side of taking a more holistic view of the sustainable development objective with its many interconnected problems to be solved, provided the program focuses on issues that are "material"—creating shared value in the longer term—and the organization is prepared to handle the operational complexity. The company must also be prepared to make its progress record transparent and manage the public relations risk of missing targets.

Indeed, in the long term the company must have a sense of conviction about the existence of shared value as a guideline for its strategy, with the continuing focus on finding innovative ways to catch up en route. When we asked Ivan Menezes, Diageo's CEO, about the company's philosophy, he said: "Diageo has a tradition of creating shared value. We aim to make a positive contribution to society, supporting the UN Global Goals while delivering our ambition to be one of the world's best performing, most trusted and respected companies. We deliver this best through great partnerships, something central to

"Diageo has a tradition of creating shared value. We aim to make a positive contribution to society, supporting the UN Global Goals while delivering our ambition to be one of the world's best performing, most trusted and respected companies. We deliver this best through great partnerships..."

INCLUSIVE BUSINESS AT DIAGEO

Diageo is a global beverage company that operates in over 180 countries with over fifty brands of alcohol products. As a company that deals in alcoholic beverages, brand perception is of utmost importance, and Diageo's inclusive business activities helps to promote that perception. Its inclusive business activities focus on three categories: promotion of responsible drinking, community investment, and reducing environmental impact. Each category has a set of measurable goals for its 2020 Sustainability and Responsibility targets,³ designed to align with the UN Sustainable Development Goals. Diageo's leadership in impact, measurement, and partnerships with respect to its inclusive business set it apart from other companies. Diageo emphasizes maximizing impact, as well as shared value whereby its inclusive business activities should also provide value to the company's business. Moving forward, Diageo is working on developing a formal framework to measure its inclusive business impact in order to improve effectiveness.

Diageo—with our teams, with our suppliers, with governments, and with consumers and their communities who are at the heart of our business."⁸

Data serves many purposes: it promotes transparency and helps clean up SDG-washing. Along the way, the realities of business are such that tradeoffs will have to be made. The data even helps with making tradeoffs. The double-edged sword of data should not scare companies off from considering more holistic commitments. The objective should be to strive for system-wide impact in focused programmatic areas even if it takes more time than planned—not to make the problems narrow enough, just to make them solvable.

Data is also the best way to have an honest dialogue on how businesses can realistically commit to the SDGs. The messy intersection of business needs, societal needs, and farsighted management is preferable to the warm glow of an impact-free public relations website. The double-edged sword can be a powerful weapon, if used with care and wisdom. [1]

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question six

How Do We Organize a Business for Achieving the Sustainable Development Goals?

One of the most vexing problems for companies committed to sustainable development is to settle on the right organizational model to deliver on the promise.

Where should the talent, budgets, and decision-making rights for such investment be located? How are managers' incentives aligned with the SDGs? How closely should the organizational unit be linked to the core business units? Our research suggests that answers to such questions leads one to a "Goldilocks zone" in which such a unit can be located: not too firmly embedded in the core business, where it is "too hot" and treated as a cost center or under fire as an underperforming unit at best, but not too far removed from the core business either, where it is "too cold," considered a distant appendage and largely irrelevant except to occasionally burnish the brand when needed.

Inclusive business activity has to be organized so that the location is "just right."

We discerned a broad shift in organizational motivations through our research. Increasingly, companies are moving away from a philanthropic grant-making mindset to allocating resources on the basis of shared value—that is, where value to society through advancement of the sustainable development also creates value for the business. A third value is material: The first two forms of value must also intersect with value to the managers responsible for allocating resources and for execution. Visionary aspirations can set

Visionary aspirations can set the organizational culture, but managers' incentives have to be aligned with the aspirations to ensure execution at the ground level.

the organizational culture, but managers' incentives have to be aligned with the aspirations to ensure execution at the ground level.

Our research suggests three broad organizational models for companies to consider as they attempt to reconcile these three forms of value. They range from the least to the most risky.

Retrofitting and Renewing the Mandate for Corporate Foundations

For many companies, a natural hub for sustainable development activities is the corporate foundation. This is, after all, the unit with a mandate to "do good." Foundations often have credibility within the organization and historically have had the license to operate under rules different from those of the core business. To solve the Goldilocks zone problem, however, the foundation's activities must be brought closer to those of the core business units. In order to get the three different kinds of value—societal, business, and managerial—to intersect, some foundations have been transforming from their historical focus on charitable giving at an arm's length from the business to greater coordination with the business.

Consider three foundations at different stages of this journey:

The Levi Strauss Foundation (LSF) has operated as a separate entity from Levi Strauss & Company (LS&Co.), the business. More recently, in addition to its traditional role of grant-making in a variety of thematic areas, such as human rights, social justice, HIV/AIDS, and asset building, the foundation

has been expanding its role as an incubator and partner to the business.

LSF works "very closely with the company's supply chain and [aims] to ensure [its] work aligns with the company's priorities as well," according to Kimberly Almeida, Senior Program Manager at LSF.¹ The LSF's Worker Well-being initiative offers one illustration; it is a collaborative effort

INCLUSIVE BUSINESS AT LEVI STRAUSS

Levi Strauss & Co. (LS&Co.) is an American clothing company founded in California in 1853. The Levi Strauss Foundation (LSF) was established in 1952 as the company's corporate foundation and has a unique relationship with its corporate sponsor compared to its peers, integrating its inclusive business activities directly into the company's supply chain. Specifically, LSF has found success through its Worker Well-being initiative, which started as a pilot program but is now a requirement for key suppliers to the company, having demonstrated a positive return on investment. LS&Co. has further realized the benefits of water efficiency, substantially reducing water costs by using less water in its production processes. LS&Co. aspires to be a leader through its inclusive business efforts and believes it can fill that role by setting an example that sustainability and profitability complement one another.



INCLUSIVE BUSINESS AT FOSSIL

Fossil is a global textile company that sells across many brands, with most of its revenue coming from consumer accessories. The current challenge for Fossil is developing a strategy to inject inclusive business activities into its core business. Fossil's leadership is still in the early stages of designing its inclusive business approach, but the company has recently hired a Global Head of Sustainability, highlighting its commitment to prioritize this effort. Presently, Fossil conducts corporate social responsibility (CSR) through the Fossil Foundation, but is attempting to more directly integrate the Foundation's activities into the company. As part of this strategy, Fossil is attempting to learn from the practices of other companies in order to maximize its social impact. Building this inclusive business mission is one of the major long-term initiatives at Fossil believed vital for sustainable growth. Fossil firmly believes that integrating its social mission is essential for the continued growth of its business, especially with the rise of conscious consumerism by younger shoppers. In building the inclusive business strategy for its business, Fossil believes the first step is to learn from the successes and challenges of its Foundation.

involving LSF, LS&Co., and its vendors. The initiative involves surveys of workers at LS&Co. partners' sites, determines the most critical needs and areas of interest, and then creates a tailored program targeted towards improving well-being for each site. The program generates up to \$4 in productivity benefits for every \$1 invested. The positive return on investment has made the Worker Well-being programs popular with procurement managers and is now a requirement for key strategic suppliers.

LSF initially acted as an incubator and pilot for the program to prove the case. The program is now owned by LS&Co., while LSF's role has shifted to impact measurement and developing toolkits to scale the program over the long term.

Another company in the apparel industry, Gap, has gone through a parallel re-focusing of its foundation. Like its peers, the Gap Foundation used to be operated as a broad grant-making institution. However, there was a philosophical shift when there was a realization that although it was giving to nearly 200 organizations, this model of philanthropy was not achieving Gap's impact goals. As a result, Gap began prioritizing socially and environmentally inclusive initiatives that were more closely aligned with the company's expertise and business interests and operations. The launch of This Way Ahead in 2006 and P.A.C.E. (Personal Advancement & Career Enhancement) in 2007 marked the foundation's shift from a philanthropic organization to one that manages its own programs in a way that also advances Gap's business objectives. Creating a talent pipeline through This Way Ahead has increased the retention rate of young employees, while the company's

P.A.C.E program has trained female garment workers to advance their careers as suppliers and managers.

Not all companies have made their way out of the traditional foundation paradigm; some are still in the process of exploring options. Fossil, for example, hired a Global Head of Sustainability, highlighting its commitment to prioritize this effort. The Fossil Foundation's focus has been on grants promoting social entrepreneurship for underserved youth. Prospectively, its aim is to more directly integrate the foundation's activities into the company's business, as was the case with LS&Co. and Gap. Fossil's CEO, Kosta Kartsotis, firmly believes that integrating its social mission is essential for the continued growth of its business, especially with the rise of conscious consumerism among younger shoppers, its prime clientele. As part of this strategy, the company is exploring how to evolve its foundation's mandate and business focus.

Adapting Venture Capital/ Start-up Accelerator Models

Some companies are considering navigating through the Goldilocks zone by adapting models from the venture capital industry and start-up ecosystems. On the whole, the area of social impact investing is still a nascent field, and large corporations have generally been slow to embrace it. However, given the success of the venture model in sparking exciting start-ups, the experience of some early mover companies will provide valuable lessons for others.

Barclays is an example of a company that shifted from traditional philanthropic giving to a venture funding approach toward

inclusive business activities. This initiative is led through its Social Innovation Facility (SIF), an internal accelerator that sets the company's strategies for investment in sustainable development and provides funding to individual business units as they develop socially innovative products and services. Like a venture fund, it maintains a portfolio of ventures. The facility has multiple factors as part of its objectives and, in principle, has the opportunity to use the corporate relationships to help scale up the ventures. How likely is it that such models will succeed and sustain? The jury is still out. The earliest experiments are in process.

Creating a One Stop Shop Subsidiary Unit

At some companies, the resolution to the Goldilocks zone problem has led to a separate unit with heavyweight leadership to minimize the chances of it being left out in the cold. At Essilor, the Corporate Mission Office (CMO), a subsidiary of the parent company, manages inclusive business activities. Jayanth Bhuvanaraghan, who was former President of South-East Asia and India at Essilor, was appointed Chief Corporate Mission Officer. This newly formed executive-level position was created to elevate such activities to the highest levels of the corporate hierarchy while implementing a global strategy for sustainable development. The CMO Officer is responsible for overseeing a wide portfolio: an inclusive business arm of the company, the philanthropic foundation, social impact funding, advocacy initiatives, the Vision Impact Institute, and all other environmental, social, and governance (ESG) and corporate social responsibility (CSR) initiatives.

INCLUSIVE BUSINESS AT BARCLAYS

In 2016, Barclays shifted from traditional philanthropic activities to adopting a shared value strategy that places inclusive business activities at the core of its business model. This initiative is led through the Social Innovation Facility (SIF), an internal accelerator that strategizes inclusive business activities, and provides funding to individual business units as they develop socially innovative products and services. Barclays has expanded its services to engage communities who have been historically excluded from formal financial services, from rural farmers in Uganda to low-income college students in the US. To do this, Barclays has leveraged strategic partnerships with NGOs who are well-connected to targeted local communities. While building inclusive business activities into the business model is more difficult than giving donations to charity, Barclays believes that when this approach is successful, it creates opportunities for scale that are hard to replicate in a traditional donor-driven model.

INCLUSIVE BUSINESS AT ESSILOR

Essilor, the world's largest corrective eye care company, integrates inclusive business activities into its business model through its mission "to improve lives by improving sight." Essilor estimates there are 2.5 billion people without access to corrective eye care, and 95% of this group live in emerging countries. Essilor's Corporate Mission Office (CMO) promotes inclusive business in large emerging markets where there are long-term growth prospects for Essilor's many products and services. The strategy for inclusive business activities adopted by the CMO caters to the unique needs of communities at the bottom of the pyramid and dedicates substantial resources to making products more accessible and affordable.

Essilor relies on viable partnerships to successfully implement its inclusive business activities. Greater awareness of vision-correction issues has been a challenge in promoting Essilor's products to new demographics; therefore, it actively works with NGOs and multinational organizations to put access to eye care on the global agenda. Unlike other complex global health issues, sight impairment can be readily and affordably solved, at scale, with corrective eye care. Essilor's advocacy agenda, innovative market entry strategy, and strategic partnerships reflect a coherent approach to inclusive business, putting Essilor in a position to successfully meet its development objectives while generating a revenue stream for the company.

Furthermore, to ensure credibility with the core business, the inclusive business arm is held to the same rigorous standards as the commercial units, even if the metrics are different. The goal of the inclusive business arm is to address the vision needs of consumers at the bottom of the pyramid. This separate legal structure provides the group's managers with more flexibility for innovation and loosens constraints surrounding profit and loss (P&L) requirements and operation expenditures. The most important metric used to judge the success of this group is the number of new wearers generated daily. For Essilor, the business value of the inclusive business unit's activities is for facilitating entry in emerging markets.

In conclusion, finding the "just right" organizational model is not easy; fortunately, it is, in many ways, a familiar challenge and can be done after some experimentation. There are ways that range from adapting existing structures to establishing new stand-alone units altogether depending on the level of organizational risk the management is willing to bear. Companies have struggled with similar questions in the context of organizing for innovation. After all, the two kinds of investments—on sustainable development and innovation—have features in common: they involve costs today for uncertain payoffs tomorrow; the payoffs are hard to measure; the payoffs may not meet the higher ROI hurdles set by the core businesses; and managers are motivated by short-term incentives and place a high premium on avoiding risk. With sustainable development, there is an additional barrier to overcome: the payoffs may accrue to the entire industry, thereby diluting a company's and its managers' unilateral incentives to invest.

This might make the Goldilocks zone narrower and more challenging to navigate, but when it works it can feel not only "just right," but also the right thing to do. [1]

After all, the two kinds of investments—on sustainable development and innovation—have features in common: they involve costs today for uncertain payoffs tomorrow; the payoffs are hard to measure; the payoffs may not meet the higher ROI hurdles set by the core businesses; and managers are motivated by short-term incentives and place a high premium on avoiding risk.

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question seven

Companies Competing in Dynamic Markets Have to Make Strategic Shifts;

Can They Be Expected to Sustain Commitments to the Sustainable Development Goals?



It has been almost a year since the launch of the UN Sustainable Development Goals (SDGs).

Given that one of the distinctive aspects of these 2030 goals relative to their 2015 predecessors is that business is a key participant, some natural questions arise: What can we expect business contributions to be between now and 2030? Which businesses are involved already, and what are they doing to advance the goals? How much of this activity will be sustained through 2030?

It is essential to keep in mind that business involvement in sustainable development cannot be decoupled from the larger strategic context in which a company competes. In today's hyper-competitive world, this strategic context itself changes quite rapidly. We launched our Inclusion, Inc. research initiative, to get, in part, a better sense of how business investments in sustainable development fit within the strategic contexts of companies. A key implication of our analysis is that because of the pace of competitive environments, there is much that will change over 15 years—and, consequently, what businesses

...business involvement in sustainable development cannot be decoupled from the larger strategic context in which a company competes... because of the pace of competitive environments, there is much that will change over 15 years—and, consequently, what businesses are doing today in connection with the SDGs will evolve.

are doing today in connection with the SDGs will evolve. In some cases, the changes can be quite dramatic. If, as a policymaker for the SDGs, you are relying on businesses to play a part, it is prudent to understand the impact of business imperatives and build in resiliency in your plans.

To get a sense of the 2016 snapshot of what companies are doing currently, there are many places to go. Some companies are making their own declarations and have webpages on the topic on their corporate sites; SAP is a case in point.¹ There are multiple organizations documenting such activity; consider Business for 2030,² the UN Global Compact,³ and the Global Business Alliance for 2030,⁴ to pick just three. There is even an SDG Compass to guide businesses and manage their contributions to the goals.⁵ A plethora of case studies can be found on Business Fights Poverty⁶ and Business Call to Action.⁷

As for how this snapshot might evolve, unlike traditional development programs—run by governments or international agencies—that often operate over long time frames, corporate activity in sustainable development can pivot because of changes in the competitive environment or in the company's strategy.

Here are four of the most likely pivots that we should expect en route to 2030.

Pivot 1: Strategic Shifts

Many companies will follow a path, now increasingly well-traveled, whereby budgets and decision-making on sustainable development graduate from marketing departments to business units with profit and loss (P&L) responsibilities.

Consider a classic example: Coca-Cola. Prior to 2005, Coca-Cola invested peripherally in various activities deemed “sustainable” and produced a neatly packaged sustainability report. This approach to investments in sustainable development, made primarily for marketing purposes, changed when, according to Muhtar Kent, the CEO of Coca-Cola, “We said we’re going to actually do it a little differently, because we came to the conclusion that if you want to be a business that’s going to be around for the next hundred years, you’ve got to make sure you not only create value for stakeholders, but also for the people that work for you, your partners, your consumers, your customers, [and] governments.”⁸

“...we came to the conclusion that if you want to be a business that’s going to be around for the next hundred years, you’ve got to make sure you not only create value for stakeholders, but also for the people that work for you, your partners, your consumers, your customers, [and] governments.”

It had become clear that the majority of Coca-Cola’s growth was going to be from the developing world. This also meant that the company had a strategic stake in rising incomes and well-being of its future consumers. Given the power of the public sector and regulators in many of these emerging markets, these are also



the regions where one cannot afford to antagonize the different stakeholders. Moreover, these regions are among those most affected by environmental degradation and clean water shortages, in particular. Investments in these areas were deemed

INCLUSIVE BUSINESS AT MICROSOFT

Microsoft is a global leader in software, services, devices, and computing solutions. It is the market leader in PC-compatible operating systems and office software suites designed to boost human productivity. The company is also active in the services industry, desktop and server software, Internet search, video gaming, digital services, and mobile markets. Microsoft focuses its inclusive business activities on digital inclusion, where the short-term investment costs are expected to have positive future returns. The company has worked hard to develop programs that help address the digital divide in a manner that not only connects more people but also introduces them to Microsoft's products and services. For example, the recipient of free Microsoft Office software through his or her school today may become the business purchaser of the software tomorrow. Microsoft is further committed to putting in place monitoring and evaluation procedures to attempt to measure the impact on communities and its business.

essential to the company's long-term survival. Most significantly, decreasing demand for carbonated soft drinks also made it critical for Coca-Cola to rebalance its revenue streams with brands considered to be healthier.

In the meantime, Coca-Cola's closest competitor, Pepsi, had been affected by the same forces and had undergone a similar transformation. Coca-Cola's investments, particularly in water and well-being, are essential to its strategy and in keeping with the tit-for-tat competitive dynamic with Pepsi for which the two companies are famous.

Pivot 2: Leadership Changes

Many significant changes in priorities happen when new CEOs come on board. At Microsoft, Satya Nadella took over the reins from Steve Ballmer in February 2014 and has sought to redefine the company that, while still enormous, had lost its competitive edge. One of the ways in which Nadella chose to reposition Microsoft was as a "productivity" company, rather than one tied to a suite of devices and services—an idea firmly tied to his predecessor. Consider this quote from Nadella's tone-setting memo to the company: "At our core, Microsoft is the productivity and platform company for the mobile-first and cloud-first world. We will reinvent productivity to empower every person and every organization on the planet to do more and achieve more."⁹

The shift towards a productivity-centric positioning was also associated with the reality of technology markets changing causing Microsoft to shift towards a

new way of interacting with customers: Microsoft relies on ongoing relationships with customers, rather than shipping software on discs or bundling the software with hardware. At the heart of these developments is Microsoft's ability to grow and maintain these relationships digitally, which, in turn, crucially depends on expanding reliable Internet connectivity.

This background on Microsoft's competitive context and Nadella's new vision for the company are key to understanding the company's push for digital inclusion, especially by expanding Internet connectivity in the developing world. Ensuring connectivity in emerging markets is essential to expanding its potential customer base and, eventually, to ensuring productivity of its consumers. These changed circumstances have led Microsoft to increase its investments in providing Internet connectivity as part of its inclusive business initiatives.

Pivot 3: Mergers & Acquisitions and Other Significant Transactions

When companies are merged, acquired, or make other changes in their corporate structure, one can expect a ripple effect on every significant investment activity, including those in sustainable development. One of the companies we studied, SABMiller, is being acquired by its larger rival A-B InBev and provides an interesting case in point.

How might the acquisition affect the combined company's efforts in sustainable development? The outcomes could be mixed. On one hand, while SABMiller has

a strong track record, A-B InBev has its own strengths to bring to the table: it had declared itself to be the industry leader in efficient water use.¹⁰ Clearly, the economies of scale between the merging of A-B InBev and SABMiller can produce further efficiencies and knowledge transfers by the merged company.

On the other hand, a larger company can exercise greater buyer power, which could affect the smallholder farmers and local entrepreneurs who have benefited from SABMiller's inclusive business programs. In 2015, its Prosper program simplified SABMiller's sustainable development objectives to five shared imperatives, the first of which, "a thriving world," aims "to accelerate growth and social development through value chains" and has a goal of directly supporting half a million small enterprises by 2020.¹¹ SABMiller's partnerships with local enterprises are crucial for its success in developing countries, since these small enterprises are the suppliers and consumers of its products. How will these relationships be affected when SABMiller is part of a larger company, especially one with a need to show cost savings and increased efficiencies?

The history of other merger and acquisition (M&A) situations suggests that such transactions can, on average, be quite disruptive, and cost-cutting measures disproportionately affect investments with long and unclear payback times. For added context, A-B InBev is known for aggressive cost-cutting as it consolidates activities after an acquisition. The company reportedly expects to realize annual cost savings of about \$1.4 billion in four years from the SABMiller acquisition.¹²

Pivot 4: Macro Events and Trends

Broad global trends and even one-off events can impact a company's sustainable development activities. In some cases, the pivot can be quite dramatic.

Few companies illustrate this pivot—and its complex turns—better than BP. Of course, BP's decisions regarding sustainable development were profoundly affected by a single catastrophic event, the Deepwater Horizon oil spill in the Gulf of Mexico in 2010. BP had to redouble its efforts to reassure a skeptical public, shareholders, and government regulators that it was taking extraordinary measures in safety and environmental responsibility across all its facilities, even while spending for

the recovery and compensation efforts. In parallel, BP has scaled back its role as a pioneer in the industry in its sustainability efforts.

The Deepwater Horizon event aside, several overriding macro-factors made a difference to BP's decisions over time. For one, the collapse of global prices for oil made the business case for renewable energy more challenging, while causing a decline in core revenues for the industry. The 2008 recession and its aftermath, along with continuing geopolitical instability in key oil-producing regions, was another set of factors weighing down the company. In an earlier phase, BP had chosen a first-mover position on alternative energy investments. With a branding of the company as "Beyond

INCLUSIVE BUSINESS AT SABMILLER

Headquartered in London, SABMiller is a global beer and beverage company with substantial market share in emerging markets. Its presence in these markets has made the company acutely aware of the social and financial gains when inclusive business activities are integrated into its business lines. SABMiller has adopted an inclusive business strategy that focuses on economic development and environmental sustainability and complements its overall business strategy. Economic development projects create value for the business operations by expanding supply chains and consumer markets, while environmental sustainability projects ensure that the resources SABMiller needs to make its products still exist in the future.

In 2015, SABMiller adopted five imperatives that outline the company's commitment to its development objectives. This inclusive business strategy, known as Prosper, developed a shared corporate-wide language surrounding sustainable development and defined measurable objectives for SABMiller's inclusive business activities. The objectives of Prosper are aligned with the UN's Sustainable Development Goals (SDGs), and represent the private sector's commitment to engage with the public sector and civil society organizations on issues related to global sustainability and inequality.

Petroleum,” BP was spending \$450 million a year on research alone, with 4,400 research scientists and R&D support staff, directly investing \$8 billion over five years in alternative energy projects.¹³

By 2009, BP Alternative Energy was closed, with BP Solar to follow in 2011; a four-year-old project to spend \$300 million on a cellulosic ethanol refinery was aborted in 2012; and the company’s wind farms put up for sale in 2013. BP’s current strategy is to achieve sustainability goals more through collective effort. It is working with all key stakeholders, including governments and other energy companies, to ensure that they adhere to their sustainability commitments.

The larger lesson is a simple one. Business investments in sustainable development do not happen in a vacuum. After all, business priorities are constantly buffeted by changes in the competitive environment and changes within the organization. This can create uncertainty and challenges for the sustainable development agenda. The key is to anticipate such pivots where possible and find alternatives. It is important to track the strategic contexts of key companies and not simply go by what is on their websites or on the many sites that collect information on business and the SDGs. There will be plenty of bottlenecks, exits, and accelerations on the road to 2030. And yet, we must have a robust plan to get there. []

INCLUSIVE BUSINESS AT BP

BP is a multinational oil and gas company and is first and foremost categorized as an energy provider. BP focuses its inclusive business activities on safety, environmental sustainability, and community investment. While BP’s inclusive business activities makes it a pioneer in its industry, the company remains under scrutiny after the effects of the Deepwater Horizon oil spill in the Gulf of Mexico in 2010. After a disaster of such magnitude, BP had to reinforce its commitment to inclusive business in order to reassure shareholders and government regulators.

After safety, the focus for BP is alternative energy, where it is shifting its focus to collaboration with industry and government stakeholders to advance policies such as a global carbon price. The company works in markets that require continual innovation and adaptation. Communities where BP operates can simultaneously benefit from BP as an employer and enabler of growth and can suffer acutely if BP does not act in a safe and sustainable manner.

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question eight

Is There a “Killer App” Among the Sustainable Development Goals That Can Get Many Companies to Join and Create a Critical Mass?

The SDGs attempt a “platform” solution to bring together multiple stakeholders to holistically improve the condition of people and the planet.

But these SDGs are a handful. With business as a key stakeholder, we must remember that managers can, generally, attend to only a few things; with 17 goals and 169 targets, the SDGs are far from being manager-friendly. Most executives we spoke with as part of our Inclusion, Inc. research initiative said that while the holistic objectives seemed worthwhile, the SDGs were generally deemed to be a bit too much to be really helpful for managers with limited time on their hands. The SDGs needed a “killer app,” a goal widely shared across companies and industries that gets companies engaged, mobilizes action, and wins over more adherents to the larger platform.

...with 17 goals and 169 targets, the SDGs are far from being manager-friendly.

It turns out that there is indeed a killer app: SDG 6. It focuses companies on a single shared problem of access to water, without watering down the SDGs.

Water has frequently been spoken of as the “new oil.” It is essential to life and is in short supply. One in ten people in the world, a third of all schools in the world, and a third of all healthcare facilities in the developing world lack access to safe water, according to Water.org.¹ Water scarcity creates devastating inequalities: the task of fetching water falls primarily on women and children, amounting to 125 million hours spent and \$24 billion lost in economic benefits. The World Health Organization’s survival consumption levels are 20 liters a day, while in the US, a toilet consumes 50 liters of water a day. Every 90 seconds a child dies

from water-related diseases, which affect 1.5 billion people each year.² Need we go on?

The bad news is that the problem is worsening. Twenty-one of the world’s 37 largest aquifers have passed their sustainability tipping points, according to a recent NASA study.³ The crisis deepens in China, India and large parts of Sub-Saharan Africa, and even in Brazil, despite its massive water resources.

As for the “new oil” as a business opportunity, every \$1 invested in water and sanitation is estimated to provide a \$4 economic return, and universal access to safe water and sanitation would thus result in \$32 billion in economic benefits annually.⁴

The positive news is that—as the SDGs’ predecessor demonstrated by exceeding its own clean water goals—improving access to clean water can be pursued successfully as a global collaborative; this time, businesses can play an essential part. Moreover, improving access to clean water goes way beyond SDG 6. It has a profound impact on every other SDG, creating a multiplier effect across the sustainable development agenda.

The positive news is that—as the SDGs’ predecessor demonstrated by exceeding its own clean water goals—improving access to clean water can be pursued successfully as a global collaborative; this time, businesses can play an essential part.

An interesting finding from our Inclusion, Inc. research initiative is how widespread the interest is in sustainable water, regardless of industry. We found companies innovating in reducing and replenishing water use and ensuring water access throughout the value chain, demonstrating quantifiable success and taking the lessons elsewhere. Consider some illustrations, which can inspire others and create a bandwagon effect.

In the Supply Chain

Onions are water-intensive crops, an issue of significant concern in water-scarce regions. Olam’s onion breeding program reduces the amount of water needed to produce dehydrated onion products by increasing the solid content in onions. According to Olam CEO Sunny Verghese, “Ten years ago in California, the solid content in onions was 9%. Now, over the ten-year period, we have bred a proprietary seed that has allowed us to take the solid content from 9% to now 26%.”⁵ The program has saved 65 million cubic meters of water and 7,500 hectares of land and is being applied to garlic and chilies growing as well.⁶

In Production

Water is vital to a brewer, such as SABMiller, and water scarcity remains a serious issue in Africa, one of its most critical markets. A key imperative of its Prosper initiative focuses on “securing shared water resources” for SABMiller’s production facilities and local communities. SABMiller is using conservation efforts to cut water used to produce beer from 3.0 liters per liter bottle to 1.8 liters per liter bottle by 2020. Over 2008-2014, the company improved its brewery water efficiency by 25% and applied

the lessons to create a global network of partnerships with civil society organizations, governments, and companies.⁷

In Retail

In 2008, Starbucks set a goal to reduce water consumption by 25% in company-operated stores by 2015. Since then it has identified numerous opportunities to use water more wisely and reduced water use by 26.5% through retrofits to plumbing and water systems and enhancements to new store design.⁸

In Consumer Use

Unilever's commitment is to halve the water associated with the consumer use of its products by 2020 by applying multiple approaches. For example, in Brazil, Unilever has responded to water shortages with

shampoos, laundry detergents, and hand soap that require minimal water. Brands such as Comfort One Rinse fabric conditioner and Sunsilk leave-on conditioners are designed to use less water. Unilever has also teamed up with the Delta Faucet Company to launch a water efficient showerhead, Delta Hydrafall™, to reduce water use.⁹

Across the Product Life Cycle

Levi Strauss & Company's (LS&Co.) Water<Less finishing technique starts with a life cycle assessment of its core products, which found that its 501 jeans use 3,781 liters of water in its full cycle, from cotton growing through end-of-life disposal by the consumer. Such a comprehensive understanding of water use helps it go so far as to urge its customers to wash jeans less frequently. The Water<Less process cuts water usage in the garment finishing process by up to 96%. The company estimates that the initiative has saved 190 million liters of water in 2014 alone. The program launched with 1.4 million units in 2011 and grew to 75 million by the end of 2014, with 889 million liters of water saved over that period. Water<Less jeans saved the company \$1.6 million in cost of goods sold in 2014. LS&Co. is expanding Water<Less techniques to additional product lines and vendor partners.¹⁰

In Communities

Diageo sponsors the Water of Life program, which provides clean drinking water to water-stressed communities, where its production facilities are located, making the program the primary and most reliable source of water for 79% of beneficiary households, while reducing the time women spend each day gathering water by 33%. These initiatives complement its goals of 50% improvement in water use efficiency, returning 100% of waste water from operations to the environment safely, reforestation, wetland recovery, improved farming techniques, and equipping suppliers with tools to protect water resources.¹¹

In addition to interventions along the value chain, there are numerous opportunities to replicate crosscutting innovative programs that emphasize replenishment, technological, and social innovations.

Replenishment Innovations

Coca-Cola's water neutrality program seeks to return an amount of water equivalent to what is used in its beverages and production. By 2015, it had balanced 115% (191.9 billion liters) of the water used in its global sales volume using different methods. Through technology, it reduced water use in 1,004 factories in 207 countries. Previously, Coca-Cola production facilities rinsed bottles with water before they were filled with a beverage; now, the bottles are rinsed with air. The second method employed was to recycle the water used during production back into the local municipal water systems. Additionally, Coca-Cola implemented thousands of water replenishment projects in water-stressed region of Africa, Asia, and Latin America. The combination of these projects allowed Coca-Cola to declare water neutrality five years before its 2020 target.¹²

Technological Innovations

Many technology companies have brought their innovative capabilities to bear on the question of water-use efficiency. EMC designed more efficient products that have cut the amount of water needed for cooling and for generating electricity. IBM's Intelligent Water software delivers insights from data to help utilities manage water pressure; detect leaks; reduce water consumption; mitigate sewer overflow; and better manage water infrastructure, assets, and operations. Its Africa lab is using Big Data and Internet of Things technologies to help smallholder farmers better manage the water resources needed to irrigate and grow crops, while enhancing water security through digital maps of underground water resources. Simultaneously, Microsoft has worked with Ecolab, a global provider of water, hygiene, and energy technologies and

INCLUSIVE BUSINESS AT EMC

EMC is a leader in the information technology (IT) industry, known for creating technological solutions to sustainability challenges. Since 2010, the company has been named to the Dow Jones Sustainability Index (DJSI) every year, in recognition of their leadership in inclusive business activities. Consumers are increasingly holding companies accountable for their sustainability track record, and as a technical solutions provider to other businesses, EMC is often one of the places corporations turn when they are searching for sustainable innovations. EMC's sustainability strategy incorporates environmental and social impact criteria into decision-making across the firm, and thinks strategically about its long-term financial gains. For EMC, "investing in our future also involves a deep understanding of the megatrends and the changes that are happening in the world." Therefore, the company is rigorous about measuring the impact of inclusive business activities in connection to market trends. In order to encourage innovative inclusive business within the company, EMC trusts employees to take ownership of developing regionally relevant products and services.

services, to use cloud computing and cutting-edge technologies to tackle water scarcity.

Social Innovations

Gap's Women + Water initiative is a recognition of the reality that 80% of those who make their clothes are women, who also carry a disproportionate burden of the community's water challenges. The objective is to ensure access to safe water and to reduce the water impact of clothes production. Gap collaborates with fabric mills to improve their practices, building water filtration plants to provide people with access to clean water, educating the women who make our clothes on safe water handling practices, and investing in Better Cotton.

This cross-section of innovations in sustainable water combined with the centrality of water to the SDGs suggests that coordination of water-related efforts alone could have a massive multiplier effect. Imagine the possibilities of IBM collaborating with Coca-Cola and LS&Co., bringing their respective techniques together. Imagine other companies replicating the ideas outlined here in their own contexts. Our recommendation is for

business collaboratives to double down on this SDG. It will help raise the entire platform. Water may indeed become the new oil that fuels the acceleration of sustainable development. Access to water is the killer app that saves people and the planet—and helps enhance profits as well. []

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question nine

Which Companies Are Best Positioned to Drive Towards the Goals: Guerilla Entrepreneurs or Gorilla Corporations?

As founder of Skype and, more recently, the venture capital firm Atomico, Niklas Zennström knows a thing or two about spotting opportunities.

This is why we were particularly delighted by his encouragement of entrepreneurs to consider the SDGs as a guide to zeroing-in on their next start-up idea at the Stockholm Tech Fest.¹ Each goal carries a billion-dollar reward for the entrepreneur that solves it, according to Zennström.² Needless to say, in a world where most tech fests are rife with talk of the next Uber or the next me-too social networking platform, and mindsets are more selfie than SDG, such a call to action is, indeed, both rare and refreshing.

Granted, the UN goals involve complex problems, but when it comes to clever start-ups, a lot can happen between now and 2030. After all, some of the most exciting ideas in recent decades have come from the guerilla start-ups rather than from the gorilla corporations; it is time for sustainable development problems to reap the benefits of guerilla creativity as well.

Despite the immense enthusiasm for doing well while doing good, the track record of guerillas has not been stellar; far too often it is the same handful of examples that make the rounds... We would argue that an essential candidate missing from the guerilla start-up's ecosystem is the party considered its very antithesis: the gorilla corporation.

That said, it is important to ask: Is Zennström's call to action just fluff that does little more than stroke the Millennial ego? Is there a deep enough bench of entrepreneurs with robust ideas, business models, and ecosystems? Are there resources to support such start-ups through different phases of growth? Historically, keeping the growing body of "social" entrepreneurs nourished has largely fallen to impact investors, foundations, NGOs, and a few progressive government agencies. Despite the immense enthusiasm for doing well while doing good, the track record of guerillas has not been stellar; far too often it is the same handful of examples that make the rounds. This is a field that, while not starved for people or ideas, is in need of fresh sources of nourishment. We would argue that an essential candidate missing from the guerilla start-up's ecosystem is the party considered its very antithesis: the gorilla corporation.

Findings from our Inclusion, Inc. research initiative suggest that large corporations are undertaking several activities which may offer solutions to the problems that block the guerillas' path to wider impact.

First, the Good News

The first piece of good news is that there is a growing pool of budding social entrepreneurs; a Skoll World Forum event alone offers an encouraging and uplifting glimpse of the many guerillas in our midst.³ We are experiencing a surge in interest and ideas on university campuses. At UC Berkeley, the Blum Center has even mapped guerillas to goals.⁴ Closer to home, The Fletcher School's collaboration with the One Acre Fund's D-Prize draws numerous

contestants with ideas for social enterprises that take on "poverty solutions"; in recent years, we have funded a start-up that used bus networks to distribute solar lamps to far-flung communities in Burkina Faso; a venture that matched sponsors with bright and needy girls with aspirations for a high school education; and a ground transportation brokerage to serve as "the connective tissue" between smallholder farmers and transporters.⁵

A second piece of good news is that capital is ready to be mobilized. A 2014 study by J.P. Morgan and the Global Impact Investing Network (GIIN) identified \$46 billion in impact investments under management, with annual funding commitments estimated to increase by 19% in 2014. Sir Ronald Cohen, chair of the Global Social Impact Investment Taskforce, believes the impact investing market can grow to be as large as "the \$3 trillion of venture capital and private equity."⁶ According to the Rockefeller Foundation's Judith Rodin and Margot Brandenburg, "Aspirational estimates suggest that impact investments could one day represent 1% of professionally managed global assets, channeling up to hundreds of billions of dollars towards solutions that can address some of our biggest problems, from poor health to climate change."⁷

Next, the Bottlenecks

Why does all this good news not translate into more meaningful outcomes? Two bottlenecks are worth highlighting. The first is what a Monitor-Acumen study calls the "pioneer gap." Their 2012 study, *From Blueprint to Scale*, observes that pioneer firms are starved of capital and support at very early stages in their development,



where business models have to be refined and proven, and at the stage where growth begins to accelerate.⁸ The second choke point occurs in the phase of actually getting to scale. A second Monitor report, *Beyond the Pioneer*, identifies a chain of barriers to scale, ranging from those within the firm and the industry to those in the domain of public goods and the government.⁹

These bottlenecks represent different forms of market failures. An approach to the first of them involves “de-risking” early-stage social ventures. However, a key source of risk is the chain of barriers to scale in later stages. In other words, if we can make meaningful advances on lowering the barriers, it helps in de-risking, thereby opening the first bottleneck as well.

Enter the Gorilla

Given the breadth of the barriers to scale, impact investors, NGOs, and foundations would find it challenging to facilitate end-to-end solutions. Apart from funding and convening, such organizations have few other levers. Large corporations, on the other hand, have multiple leverage points

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along the chain, from tackling business model and managerial issues within the firm to helping boost negotiating power within the value chain or the public sector. This means that gorillas can play a dual role. One role is to facilitate solutions to scale barriers. The other role is to launch corporate impact investing funds with an asymmetric advantage in investing in early stage social entrepreneurs while recognizing the de-risking potential at later stages.

The biggest questions, of course, have to do with whether the gorilla can ever dance with the guerilla, whether they can ever have a shared sense of purpose, whether they can be organizationally and culturally compatible, etc. Given the potential for value creation, suffice it say, these gaps are worth taking on. To see why we are optimistic, consider the chain of barriers identified by Monitor’s *Beyond the Pioneer* study and illustrations of how such barriers can be overcome from the gorillas we studied.

FIRM LEVEL BARRIERS: Weak business models; weak propositions to customers/producers; weak leadership and managerial and technical talent and a lack of capital.

To visualize how a large corporation might help transcend such barriers, consider Essilor’s development of Eye Mitra. The program takes on the firm-level barriers and prepares individuals to set up eye care provider businesses in rural communities using low-cost products, including pre-cut lenses and identically shaped frames with some limited customizability. Eye Mitra, launched in 2013, had trained over 1,000 young entrepreneurs and reached 150,000 people by the end of 2015. A study by Dalberg Global Development Advisors

across six districts in the Indian state of Uttar Pradesh indicates that the program had a positive impact on productivity and self-esteem while improving livelihoods and generating income. 75% of people served by Eye Mitra bought their first pair of glasses and two-thirds reported increased independence in movement and travel, with a positive impact on productivity. The program added \$4 million a year in impact

INCLUSIVE BUSINESS AT SAINT-GOBAIN

With a history spanning over 350 years, Saint-Gobain brings a uniquely long-term perspective to its inclusive business activities. Saint-Gobain utilizes inclusive business activities as a way to innovate and reach new clients, as well as to invest in a workforce for the future. Partnerships with organizations such as YouthBuild help the company support the next generation with the skills-training necessary for construction, while its DomoLab innovates and adapts building designs for new markets. It invests in sustainable buildings not only to protect the environment but also to cut costs and become a market leader that appeals to clients attracted to sustainability. Ultimately, Saint-Gobain, a company that has endured through multiple revolutions throughout the course of its long history, sees long-term value in adapting to new markets by promoting sustainability and inclusion.

INCLUSIVE BUSINESS AT JANSSEN

Janssen Pharmaceuticals, Inc. is a leading global pharmaceutical company that is a subsidiary of Johnson & Johnson, an American multinational medical devices, pharmaceutical, and consumer packaged goods manufacturer. Janssen’s mission is to promote the health of its customers and, through its inclusive business activities, reach as many people as possible, in particular those with unmet health needs. To do this, Janssen not only has dedicated units for these efforts but also partners across sectors with governments and NGOs to reach emerging and frontier markets with its medical solutions. In doing so, Janssen expands the reach of the company to new markets, helping realize the idea of “doing well while doing good.”

across the six districts surveyed; with Essilor’s scaling resources, Eye Mitra could represent the potential to unlock economic impact of \$487 million a year across India.¹⁰

VALUE CHAIN BARRIERS: Lack of suitable labor/inputs and financing for bottom-of-the-pyramid (BOP) producers and customers; weak sourcing channels and weak distribution channels involving BOP producers and customers; weak linkages and support service providers.

Gorillas with experience have become adept at finding creative ways around barriers in the value chain. Consider 107 year-old Unilever’s Project Shakti, which enables rural women to become entrepreneurs by distributing goods to hard-to-access rural communities. Over 70,000 Shakti entrepreneurs distribute Unilever’s products in more than 165,000 villages, reaching over four million rural households.¹¹ At the other end of the value chain, 124-year-old Coca-Cola’s Source Africa initiative facilitates sustainable and financially viable supply chains for key Coca-Cola agricultural

ingredients, such as mango production in Kenya and Malawi and citrus and pineapple production in Nigeria.¹² This extends Project Nurture, its partnership with TechnoServe and the Bill & Melinda Gates Foundation that doubled the average income of 50,000 small-scale mango and passion fruit farmers in Uganda and Kenya by connecting them into Coca-Cola’s supply chain.¹³

In a different domain, when 351 year-old Saint-Gobain builds a plant in a new country, it trains the local workforce in collaboration with YouthBuild. The latter trains disadvantaged youths in professional skills, while Saint-Gobain adds training in construction science.

PUBLIC GOODS BARRIERS: Lack of hard infrastructure; lack of awareness of market-based solution and appreciation of value; lack of information, industry know-how and standards.

Olam offers a good illustration of a company’s deep involvement in a nation’s hard infrastructure. Olam jointly owns Owendo, a port in Gabon, and is a key partner

in the country’s Special Economic Zone. On the “soft” public goods front, Janssen, a unit of J&J, works with multiple stakeholders to increase access to medicines and has formed the Janssen Neglected Disease Task Force to advocate for legislation to support new research into treatments for neglected diseases. It also coordinates a consortium to support HIV patients and their caretakers in managing the disease.

GOVERNMENT BARRIERS: Inhibitory laws, regulations, and procedures; inhibitory taxes and subsidies; adverse interventions by politicians or officials.

To get a sense of how committed large corporations can go beyond lobbying governments to educating public officials, consider Mastercard and its growing collaboration with the Association for Financial Inclusion (AFI) to educate public officials about issues relevant to promoting financial inclusion. This includes technical capacity building; developing national-level public-private engagement strategies; research; and best practices to inform policymaking and exposing officials to innovative products, business models, and approaches.

Bringing the gorilla and guerilla together can be mutually beneficial: perhaps the best mechanism is through a corporate venture or an impacting investing fund. Consider Unilever Ventures as an example. It has invested in a range of enterprises, including ones that focus on water management as part of its “sustainable living” portfolio, including Recyclebank, a social platform that creates incentives for people to take environmentally responsible actions; WaterSmart, which develops tools for water

utilities to help customers save water and money; or Aquasana, Voltea, and Rayne Water, which develop water purification, desalination, and filtration technologies.¹⁴ Gorillas have the global reach and scale, but they need the proximity to the problem, local knowledge, and the entrepreneurial creativity of the guerillas. “An innovative company has to go outside as much as inside,” Polman said in an interview after the announcement of Unilever’s acquisition of eco-friendly Seventh Generation. “The main incubators for our future innovation capabilities are more likely to be outside than inside.”¹⁵

Zennström’s call to action requires guerillas and gorillas to dance. It is, no doubt, an awkward coupling; but it can—and must—happen for guerilla entrepreneurs to have gorilla impact on the world’s hardest problems. []

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question ten

Can Doing Well While Doing Good Be Bad for You?

Facebook's founder and CEO Mark Zuckerberg is on a quest to get the 4.4 billion people who have never been online connected to the Internet,

even if it is to a pared-down version of the real thing called Free Basics. He also is, seemingly, undeterred by failure.

"Today we're partnering with Airtel Africa to launch Internet.org Free Basics in Nigeria," he wrote in a March 10, 2016 post on Facebook. This was just a few weeks since Facebook announced the launch of the same service in Bangladesh (April 11) and in El Salvador (April 29).

By launching in quick succession across three different continents, Zuckerberg has been persistent in his drive to connect the unconnected, despite hitting a wall, earlier, in India. The irony is that India would have been a perfect test case for the holy grail of combining doing well with doing good: it is Facebook's second largest market and, with growth, poised to be the largest. Yet the country cannot realize its full potential because about 80% of its citizens have never been online. Facebook's Free Basics initiative was innovative and appeared reasonable: in partnership with a local telecom provider, Facebook offered free access to a limited package of websites, with a process for site developers to apply to be included in the package. The key, of course, is that the package was limited: it included a "lite" version of Facebook and would have been an on-ramp for those who have never been on the site or on any other.

The Free Basics mission has faced other obstacles as well. It was blocked in Egypt because Facebook would not change the security settings to allow for government surveillance. More generally, Zuckerberg had a plan to connect Africa to the Internet through satellites and solar powered planes. Unfortunately, on September 1, 2016, the SpaceX's Falcon 9 rocket carrying

a Facebook payload went up in a fireball on a Cape Canaveral, Florida, launch pad, thus also exploding the satellite connectivity idea for the near term.

As we've written previously, there are good reasons to like Free Basics: it is better for a society to provide limited access to more people, provided it includes some useful and productive sites, than a status quo in which the vast majority have no Internet access at all. Free Basics is limited, but given the reaction to it in some quarters, you would think it is the private sector equivalent of North Korea's version of the Internet that has 28 permitted—and censored—websites. India hosted the most ferocious and vocal opposition; users active online hated the idea. The Facebook solution, they argued, was inequitable for consumers—Free Basics users would be denied access to the full Internet—as well as for entrepreneurs, app developers and organizations, whose websites were excluded from Free Basics. Faced with overwhelmingly negative public reaction and citing violation of net neutrality—that is, all Internet traffic is treated the same—India's telecom regulator banned the service.

Zuckerberg is bruised but not out of the game. By taking on new countries, especially those as complex as Bangladesh, El Salvador, and Nigeria, he seems to have dusted himself off and is back on his mission.

Inclusive Innovators Make a Business Case for Social Responsibility

More generally, innovation in doing well while doing good is a growing trend among businesses seeking new markets in the developing world. Our Inclusion, Inc.

research initiative confirms a clear migration towards pursuing such dual objectives over pure philanthropy or charitable spending on corporate social responsibility (CSR).

Inclusive business models are displacing philanthropy and CSR for several reasons. Such initiatives are more sustainable over the longer term; they are less reliant on individual "socially responsible" champions; they can win support from shareholders, the wider management team and the Board; and they are powerful recruiting and retention tools, particularly for the Millennial generation, according to a number of studies. When applied systematically across companies, this is the approach that will be key to businesses investing in advancing the SDGs. Most significantly, such initiatives may prove essential for long-term growth of global business opportunities as markets grow.

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Despite the appeal, straddling two objectives can be hazardous. Mark Zuckerberg's India experience has proven to be the most dramatic recent case of what one might call the inclusive innovator's dilemma: the "doing good" part of the offer could be rejected if society finds the "doing well" part overly self-serving.

Consider Three Rules for Dealing With the Dilemma

Facebook was one of the companies we contacted over the course of our research; however, given the fluid state of the Free Basics initiative, the company was not ready to go on record. So from the outside we observed the challenges Free Basics faced and derived three conclusions that would be useful for any company with an interest in avoiding the inclusive innovator's dilemma:

1. Don't over-sell "doing good": There were several signals that Facebook had overreached in India. Zuckerberg's visit to an Indian village was extensively covered by a Time magazine cover story that read: "Half the World Is Not Enough: Mark Zuckerberg's Plan to Get Every Human Online." To compound the problem, the initiative was initially called Internet.org, before being rebranded as Free Basics. Once an expectation is set to "free Internet for everyone", there is bound to be disappointment and disillusionment with anything substantially less. It is better to set expectations about the benefits to society consistent with what your business model can deliver.

2. Make sure that "doing well" follows "doing good," not the other way around:

As designed, the limited menu of Free Basics included the Facebook site, and Facebook would control which sites and apps appeared on the menu. This immediately encourages criticism; consider, for example, the words of Kentaro Toyama, a Michigan professor: "Here's a large American company coming into India and appearing to try to have its way to gain

It is wiser to plan for a "goodwill period" with no measurable benefit to the company to first build trust before pushing for commercial opportunities.

eyeballs for what is ultimately a company that sells eyeballs to advertisers." It is wiser to plan for a "goodwill period" with no measurable benefit to the company to first build trust before pushing for commercial opportunities.

3. Besides passing the commercial test, ensure that "doing good" passes the tests of politics and history: Every company has to set boundaries on which aspects of society's development challenges ought to be part of its sustainability and inclusion agenda. Otherwise, the costs of tackling the challenges would violate the "doing well" mandate.

It is critical, however, to design offers that respect prevailing political sentiments and norms. When Facebook launched Internet.org in India in February 2015, concerns for preserving net neutrality had already started gathering momentum: a local wireless operator, Airtel, came under fire in December 2014 for announcing that VoIP calls would cost users extra fees. By April 2015, the issue had become explosive, and it was becoming clear that going against net neutrality would be politically infeasible for the regulator. In the meantime, the parallels with British colonialism had already started surfacing; you cannot ignore an important part of collective national memory.

As designed, Free Basics was going against both the political sentiment and historical sensitivities. "Doing good" initiatives cannot fail these tests because they disproportionately involve the disadvantaged segments of society. This realization can be a novel one for entrepreneurs whose focus,

naturally, is on the business elements. For technology companies, whose employees spend more of their time in a virtual world, the hard realities of the complicated sociopolitical context of the real world can be even harder to fathom.

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Turn Those "Yikes" Into "Likes"

When an innovative company takes an active role in creating benefits for society and promotes sustainable development, it not only has the opportunity to create value for itself, but it might also find solutions to problems that have stymied governments, NGOs, and active citizens. This is even more reason for inclusive innovators to find resolutions to their dilemmas.

Zuckerberg, for his part, can learn from all the "yikes" in India and turn them into "likes" in Bangladesh, El Salvador, Nigeria, and elsewhere. However, he is not alone in his predicament. During the course of our research, we heard from several organizations critiquing many of the companies we studied for doing good only because it was good for their bottom line. The irony is that the critics would have felt more comfortable with companies doing good with no self-interest whatsoever—which our research indicated would result

in a short-lived investment in sustainable development.

There is, clearly, education that needs to happen all around. Those interested in advancing the goals of sustainable development need to be educated on what makes a publicly held company tick and the incentives and constraints that determine when and why managers invest in societal issues. Inclusive innovators would do well to pay close attention to Mark Zuckerberg's education in the global context and learn from his experience. [1]

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