

Business and Poverty: Bridging the gap

Maya Forstater, Jacqui MacDonald and Peter Raynard

Executive summary

Background

In the quest for sustainable development, eliminating poverty is *the* key challenge facing not only governments and civil society, but also business. Traditionally, business has played a crucial role in providing routes from poverty to prosperity, pursuing profit and in the process generating wealth, products and services, innovation and technical advances, jobs and tax revenues. Businesses of all sizes relate to the poor as consumers, staff, suppliers and distributors, and in some cases as neighbours

However, such a business-as-usual approach is clearly not lifting the majority of the world's people out of poverty: nearly 3 billion people survive on less than US\$2 per day. The formal sector barely serves the poorest of these people, who must rely on the informal sector and their own production as their main sources for products, services and income. Furthermore, many of the poor are suffering from the negative impacts of business activities, from environmental pollution to human rights abuses.

While the primary role of business is to provide the "engine of growth", recognition is growing that the private sector can and should do more to combat poverty, and that this unrealised potential offers both a commercial and a social opportunity.

A comprehensive approach to poverty elimination is needed, one in which public, private and voluntary sectors attack the multiple dimensions and causes of poverty. Oxfam has identified five key outcomes that such an approach must deliver:

- Increased equity, with wider distribution of productive assets and increasing returns on these assets
- Enhanced opportunity to access jobs, credit, roads, electricity, markets, schools, water, sanitation and health services
- Participation in the processes that control access to market opportunities and public sector services, regardless of gender, ethnicity and social status
- Peace and security, and reduced vulnerability to economic, political and environmental crisis, which will enable people to invest in higher-risk, higher-return activities
- A sustainable future in which people conserve natural capital and use finite resources more sustainably, from the local to the global level.



About the Resource Centre

In 1999 a group of nine UK-based organisations came together, with support from the UK government's Department for International Development, to establish the Resource Centre for the Social Dimensions of Business Practice.

Through the Resource Centre, the organisations sought to investigate the links between business and poverty, to marshal the arguments for a greater role for business in poverty elimination, to identify barriers and the actions and tools needed to overcome these obstacles, and to highlight examples of "good practice" and strategies for success. Resource Centre staff and founding members worked with local organisations in a number of countries to develop pilot projects that would fill key information gaps and develop innovative approaches to overcoming obstacles.

Business and Poverty: Bridging the gap looks at the work of the Resource Centre over the past three and a half years, alongside the individual work of the consortium members and others organisations addressing the impact of business on poverty. The report brings together a broad range of thinking, experience and information resources, with the aim of fostering a common understanding of poverty and its causes and of the role of business in poverty elimination.

www.resource-centre.org

Resource Centre Founding Partners

Centre for Development Studies, Swansea

Corporate Citizenship Company

Corporate Citizenship Unit, Warwick

Business School

ERM, Social Strategies

Natural Resources Institute

Oxfam UK and Ireland

The Prince of Wales International Business

Leaders Forum

Shared View Social Responsibility

Triodos Bank



IBLF
THE PRINCE OF WALES
INTERNATIONAL BUSINESS
LEADERS FORUM

The business case



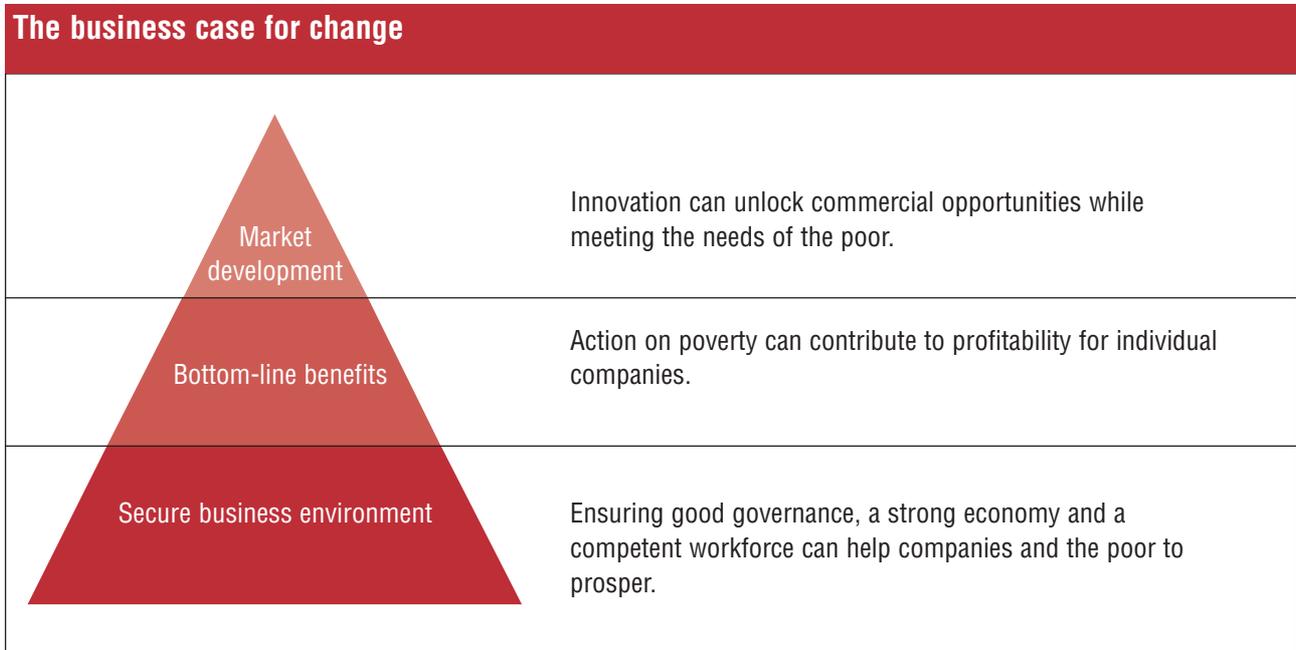
Businesses engage in poverty elimination for a multitude of reasons; as a result, talking about a single business case is difficult. Nevertheless, we can usefully look at the justification for business action on three levels, as shown below.

At the base of the business case is the recognition that poverty attacks the foundations for healthy business. Tackling poverty can help businesses to build the local spending power, skilled workforce and stable environment necessary for business development. However, the benefits are spread across the local economy and no individual company can capture all of them. Therefore, the second level of the business case looks at the balance of costs and benefits of business action on poverty for an individual enterprise.

Within the second level, a growing body of evidence shows that companies that take account of the interests of their stakeholders, that respect human rights and environmental standards, and that give back to the community in the form of social investment are able to improve their financial performance. While poverty is not the only issue of concern, many of the areas increasingly considered as part of the wider responsibility of business – such as child labour, involvement in human rights abuse and environmental destruction – cannot be addressed without understanding their links with poverty.

The top level of the business case represents an opportunity for those businesses smart enough, fast enough

and innovative enough to develop business models that engage with the poor as consumers, workers and entrepreneurs. Such businesses find ways to profitably address the poor's unmet needs for basic products and services, jobs and market access, as well as enabling services such as education, credit and ICTs (information communication technologies). To achieve this companies will need to move beyond incremental change and accepted business models to fundamentally alter the way they produce and deliver value.



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A framework for business and poverty

Individual companies and industry associations are able to act to eliminate poverty within three main spheres of influence:

- **Improving core business impacts** – finding improvement opportunities in the workplace, marketplace and supply chain.
- **Integrating social investment into the overall business approach to poverty** – dedicating resources to effective philanthropy and community involvement aimed at poverty reduction.
- **Aligning wider influence with the aim of poverty elimination** – using their influence on the public policy and institutional market framework to strengthen its capacity to generate benefits for the poor.

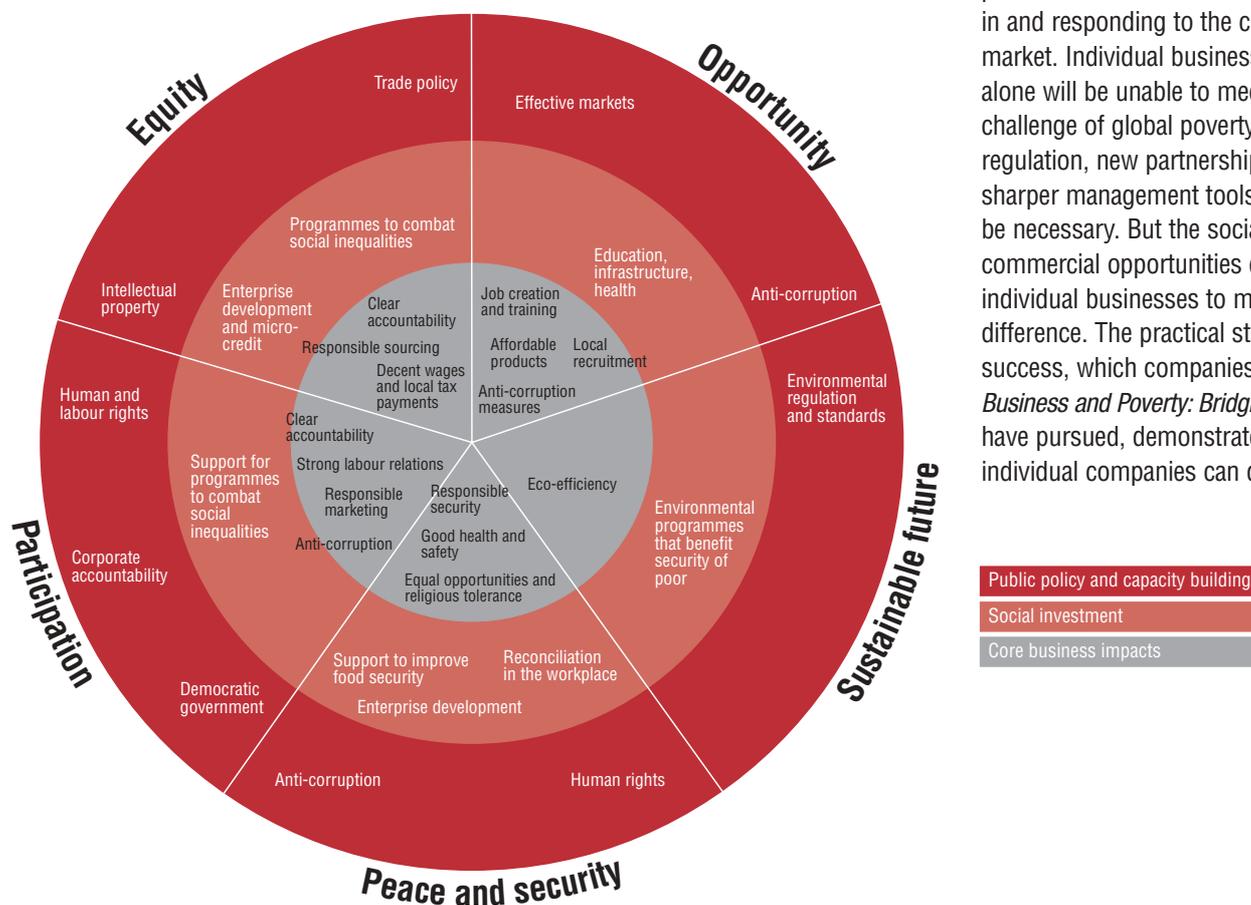
In each of the three areas, businesses are developing strategies that contribute to the goal of poverty elimination. However, companies often view their activities in these areas as having different objectives and strategies for success, and so manage each area separately. This separation can lead to inconsistency of actions, missed opportunities, accusations of “greenwash” and ineffective resource use.

The diagram below outlines a poverty elimination framework to help map out the ways that businesses can use their capacities and influence within each of these areas to contribute to the five key outcomes of poverty elimination identified by Oxfam. *Business and*

Poverty: Bridging the gap uses the framework to highlight the experience of a cross-section of companies.

Poverty is now on the agenda for business. Recognising that businesses can make a difference through core business impacts, social investment, and public policy influence and capacity building, leading-edge companies are defining a new role for the private sector. Business offers skills, energy, investment and technology that other sectors lack. Recognition of the importance of SMEs and micro-enterprises is growing also. Poverty matters to businesses of all sizes.

The private sector’s new role does not concern just charity or even “socially responsible business practice”. It also addresses competing in and responding to the changing market. Individual businesses acting alone will be unable to meet the huge challenge of global poverty. Effective regulation, new partnerships and sharper management tools will all be necessary. But the social and commercial opportunities exist for individual businesses to make a difference. The practical strategies for success, which companies profiled in *Business and Poverty: Bridging the gap* have pursued, demonstrate what individual companies can do.



Strategies for success

Test the water

Measure your impact

Assess your business's impacts on poverty at every level, from core business, to social investment, to wider influence on public policy and institutions. A comprehensive mapping can help to assess the risks, opportunities and constraints of a pro-poor business strategy.

Understand trade-offs

Understand and articulate the linkages and trade-offs between aspects of your company's influence, from creating jobs and providing access to affordable products, to implementing anti-corruption policies and initiatives, to securing human rights in the workplace, sourcing responsibly, and investing in education, health and community development.

Create space for dialogue and consultation

Consult regularly with poor people and communities, who represent actual and potential customers, staff, suppliers, distributors, neighbours and recipients of social investment. This dialogue should allow for different capacities, cultural contexts and power structures, and facilitate genuine participation.

Create waves

Find opportunities for small investments with potentially big impacts

Seek opportunities to make small, targeted investments that can significantly benefit the lives of the poor. The investments may take the form of social investments or incremental changes in the way business is done. Such steps, which have a low cost to business and are feasible for large and small enterprises, offer the easiest route to developing a proactive anti-poverty strategy.

Link business and social benefits

Link your costs to your direct business benefits resulting from either new markets or increased productivity, to make the strongest business case for more significant investments. Such clear win-win situations are not always possible. Where they are, they ensure that improving social impact is not an add-on but is part of a company's strategy for success and is likely to be supported by investment of time, money and expertise.

Break the rules – reassess business models

Find new ways to open up your marketing, procurement, distribution and recruitment channels to excluded groups. Increased access will help meet the needs of the poor for increased incomes, basic products and services, and the opportunities embodied in commercial credit, education, technology and infrastructure. In pursuing such a strategy, companies need to rethink conventional wisdom about technology, capital efficiency, product development and distribution, which leads so many companies to believe that they can't make a profit by serving the needs of the poor.

Work in partnership to solve problems

Build the operational alliances that are often necessary in creating distribution and supply channels to bring the benefits of business to the poor. These alliances or partnerships can involve local and national governments, UN agencies, civil society organisations, communities, financial institutions and other companies. Such partnerships combine the insight, credibility, capacity and networking capability of a range of organisations in order to create and develop new market opportunities.

To order

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CONTACT: MMC, 67 Holder Road, Aldershot, GU12 4GN, United Kingdom
Tel: +44 (0)1252 669 669 | Email: iblf@mmcltd.co.uk