The transcript of sessions held in Mandela Auditorium of the 2016 Oxford Business Poverty Conference
Put together by John Hoffmire and Jake Roble. But real credit goes to the speakers.
2016 Oxford Conference on Business and Poverty

Welcome, John Hoffmire ................................................................. pg. 3

Setting the Context, Frank Venegas ................................................. pg. 3

Human Resources & Mentoring, Grace Cheng & Mark Evans ........................................ pg. 7

Corporates Helping Scale Firms, Tara Sabre Collier & Frank Venegas ................................ pg. 15

Responsible Leadership, Ted Malloch & Jonathan Michie ........................................ pg. 25

Honoring the Entrepreneurs, Scott Huish & Nick Davies ........................................ pg. 35

Mutuality & Employee Ownership, Ruth Yeoman, Luis Granados & Martin Staubus .... pg. 45

Business Addresses Poverty, Len Greenhalgh & Frank Venegas ................................ pg. 54

Lean, Waste, Ethics & Poverty, David Brun & Scott Hammond ................................ pg. 65

Addressing Poverty through Impact Investing, Geetha Tharmaratnam ......................... pg. 73

Slaves and Enfranchisement, Steve New & Laurel Steinfield ........................................ pg. 79

Catalysts of Prosperity, Patrick McDonald & Tom Magnell ........................................ pg. 89

Ownership and Poverty, Colin Mayer & Frank Shipper .......................................... pg. 96

Introduction to Day 2, John Hoffmire & Zahid Torres-Rahman ................................ pg. 101

Poverty and Insurance, Stefan Dercon ........................................................................ pg. 102

Creating Employment, Abdulrahman Al Dabal & Alex MacGillivray ......................... pg. 110

The Business/Poverty Message, Rupert Younger and Don Barden .......................... pg. 118

Behavioral Economics and Poverty, Mungo Wilson ................................................. pg. 124

A Foundation Addresses Poverty Through Impact Investing, Mohamed Amersi .... pg. 132

Shared Value for Small Holders in Agriculture, David Croft .................................. pg. 139

Two Views on Poverty Reduction, Oren Sussman & Marc Ventresca ....................... pg. 144

The Internet of Things, Social Impact and Poverty, Ahsan Zaman .......................... pg. 151

Measuring Impact, Jarrod Ormiston & Richard Barker ............................................ pg. 156

Crowdsourcing & Funding, Matt Novak & William Conner ..................................... pg. 163

Venture Philanthropy in Growth Market Pakistan, Ahsan Jamil .............................. pg. 171

Wrap Up, John Hoffmire & Zahid Torres-Rahman ................................................. pg. 175
Tom: Yes, though we need to be a bit careful about what we mean here. If moral goodness is at issue, it is necessarily the case but uninteresting that a morally good business is a morally good business. If we mean that a prudentially good business, roughly a profitable business, is a morally good business, is interesting but not necessarily the case. Nevertheless, profitable businesses can be morally good businesses, and many are. This ought not be surprising if profitability requires meeting needs and addressing desires.

Zahid Torres-Rahman: I think getting into the core of the business and thinking about how they operate is a very effective way to make a difference. Multinationals have a huge potential to reach scale, so for us it’s a great way to have a huge impact.

Tom: I think it’s important to note here that, beyond basic needs, if then, there is no clear line of demarcation between wants and needs. Many people would say that they need a cell phone. That is not wrong, inasmuch as they may need a cell phone to realize some further end. But a cell phone is not a basic need, at least not for most of us. We really can get by without them, though that may seem outlandish to anyone under 30. Uttering “I need a cell phone” may be just communicating a want, but doing so emphatically. In any event, both needs and desires are in the domain of moral and prudential reasoning. They matter to us and for us, and so matter, if we are to promote prosperity.

Ownership and Poverty

Colin Mayer and Frank Shipper

John Hoffmire: Colin Mayer is the Peter Moores Professor of Management Studies at Said Business School, and the former Peter Moores Dean of the School between 2006 and 2011. He is an expert on all aspects of corporate finance, governance, and taxation; the regulation of financial institutions; and the role of the corporation in contemporary society. He has consulted for numerous large corporations and for governments, regulators, and international agencies around the world.

Frank Shipper is Professor of Management in the Perdue School of Business at Salisbury University. His teaching, consulting, and research interests are managerial/leadership skills development, employee ownership, and collaborative cultures. He has consulted for and studied employee-owned companies for over 25 years. Among other honors, he received a 2014 Regents Award for excellence in research, University System of Maryland’s highest faculty honor. He is the lead author of the book, Shared Entrepreneurship: A Path to Engaged Employee Ownership.

John: Knowing it is difficult to come up with data on one side or the other, is it better to say one type of ownership is better to address poverty?

Colin: I want to bring to light a case with Paul Polman from Unilever. In January 2009, on his first day as executive he announced he was abandoning quarterly earnings and that he was going to put the long-term prosperity of the company as his top goal. He said to his shareholders, “if any of you don’t think that this is the goal of the company, that’s fine, you can disinvest.” There aren’t
many CEOs that are willing to say this to their shareholders. It illustrates how difficult it is to be a public company and to pursue a public agenda without undermining your shareholder base. Why is it difficult to achieve this agenda? If you’re one of the largest companies listed on a stock market in the world, it can be difficult - particularly if you have a widely distributed stock market base. Having shareholders who are committed to alleviating poverty or creating environmental benefit is absolutely key to success.

**John:** What happened to Unilever’s stock the day after Paul made that announcement?

**Colin:** It went down. Over the period since then it went up slowly. It’s had periods where it comes down, and whenever it comes down you can hear the murmuring “Is this such a good policy for us to be pursuing?” But, so long as Paul Polman and his colleagues deliver returns that are adequate, he and the others will be in place. If they don’t, they won’t.

**Frank:** I look at it from a little different point of view. I look at the data from Europe, and what I find is the idea of collective benefit versus individualism. If you look at Spain, France, and Italy, you’ll find a relatively large number of co-ops where as in Northern Europe you’ll find that stock ownership seems to be the dominant model of ownership. In the US, you’ll find about 3,000 co-ops and 7,000 ESOPs. The key issue to me is the human side of the equation, which I’ll talk about a little later.

**John:** Which problem should businesses then focus on, income poverty or savings poverty, and why would one type of ownership over another be better at creating income as compared to long-term savings?

**Frank:** You have to look at the population with which you’re working. If the population is a low-income one, you have to focus on alleviating immediate pain. Probably co-ops are somewhat better at this than ESOPs because they put emphasis on their version of profit sharing which they call patronage.

If you look at ESOPS, there are three ways that people benefit and build wealth. First is through the contributions made by the company to the ESOP trust. Second is through the dividends paid on the stock that the employees own, and the third way is through the appreciation gained on the stock. Appreciation may or may not occur in a co-op depending on how it is set up.

**Colin:** I’d put income first. I think you have to get people up to a basic level of income before you can expect to start putting savings together. Of course, both need to be pursued in parallel. But giving people a decent standard of living has to be the number one priority. I want to illustrate this in relation to two of what I think are the most striking examples of how institutions have made a really big difference. Both of them come from within the financial sector.

One of them relates to mobile money. Safaricom, in Kenya, is the institution that has made such a difference. Through mobile money what Safaricom has done is to essentially bring financial inclusion to a massive proportion of the Kenyan population in a very short period of time. That has allowed them to provide mechanisms for effectively moving money around the country. For
example, Safaricom allows transfers to take place whereby people going getting jobs in one part of the country can send it back to another part of the country where their relatives live. Remittance constitutes a large proportion of what’s done through this mobile money platform.

The second example is HDFC, the Indian bank which has helped villagers in rural areas to borrow money to finance development of their farms in ways that are affordable. The bank charges much less interest than the money lenders.

In both cases, at Safaricom and HDFC, what they do is essentially help low-income people participate more fully in their economies. Both of these companies provide products that are very important tools for getting people out of poverty.

**John:** Do you think that employee-owned companies effectively force people to save long-term?

**Colin:** I think there’s a lot to be said for that. I think the key element in terms of encouraging people to save is trust. In essence, when employees accept shares over receiving even more immediate cash from their employers, they are trusting the managers to do well.

The advantage of good employee-owned organizations is they create an element of psychological ownership that builds up trust in those organizations. Creating savings through employee ownership is one way to overcome a broader problem we have in our societies and in our financial system, which is a lack of trust.

Now regulatory bodies in this country and in most developed countries don’t think in terms of this element of trust. They think in terms of rules and laws. So they haven’t really turned to the issue of how one creates a culture that is associated with the development of trust in organizations. That seems to me to be the number one priority. If one really wants it to develop, thinking imaginatively about forms of ownership that are conducive to it like employee ownership schemes is critical.

**Frank:** Chris Argyris of Yale used to say, “If you treat people like children, they’ll act like children. If you treat people like adults, they’ll act like adults.” One of the things that many employee ownership companies do is they practice open-book management. Before they open their financial books to employee owners, they ensure that their employees have financial literacy.

If you go back to what the John Lewis Partnership did, you’ll find that they have been practicing open-book management since about 1928. To me, this type of training helps not only to develop people who are financially literate, and make good decisions for the company, but also they will make more good financial decisions privately and will perhaps be more engaged in their communities.

**John:** I want you to talk about paternalism in the best of employee-owned and family businesses.

**Frank:** I have been into about 15 employee-owned companies, some of them just recently created. Others of the 15 have been around for 50 or more years. In the initial stages there is some degree of paternalism because they are trying to educate people and bring them up to
speed. If you want to say that educating people is a part of paternalism, I’m all for it. But the role of a leader has to change as the people are able and willing to become more involved. Managers may start out as paternalistic. But, the good ones evolve toward more of a coaching role, more of a facilitating role. The role of leaders in a mature employee-owned company is different from the role of leaders in a start-up employee-owned company.

**Colin:** I want to start by picking up on the previous example you were giving of John Lewis. John Lewis, in 1928, set down principles by which the company should be run. Up until that stage it was, of course, a family-owned business. A key component to the John Lewis model involved establishing the principles through which employees’ interests were protected.

The evolution from family ownership to employee ownership seems to me to be a very important component to how employees were to be protected. In particular the part that I think has been critical for John Lewis is that ownership is held in the form of a trust. Trust embeds the notion that it is not just current employees’ interests that are upheld but future generations as well. There is no prospect of selling out and demutualizing for the benefit of the current generation at the expense of future generations.

If you look at another example, Mars, you see that in 1947 the family owners established the principles of mutuality that there should be a mutual sharing of benefits within the organization. In this case, through family ownership, you find the introduction of another form of employee participation. It doesn’t go all the way in terms of employee ownership. But, it goes in the direction of achieving some of the protections that trust-based employee ownership provides.

So, it’s this notion of trusting employees that is so important. Companies that trust in their employees seem to be more successful companies.

**John:** Do employee owners generally take better care of their environment and their community than outside owners?

**Frank:** One of my colleagues at Salisbury University has spent over 10 years studying agriculture in the Brazilian rainforest. This colleague was not necessarily studying within an employee ownership context. Her results basically demonstrate that slash and burn agriculture is counterproductive in the long run. It does give some short-term benefits. But, if you teach the farmers how to practice sustainable agriculture, they actually have a better income level. One of the other problems with slash and burn is that it is very hard to build any type of employee ownership cooperative model. You destroy the fabric of the community through the slashing and burning. Not only are you destroying the environment, you are destroying the community.

**Colin:** I think you’ve been proposing, John, an “either or.” I think it’s a “both and.” That is, if you really want to create a sustainable way of getting people out of poverty, it has to be in the context of sustainable organizations. Those sustainable organizations have to appreciate that destroying the environment is not a sustainable policy. Indeed, I think the most successful organizations in this area not only try to alleviate social conditions, in particular poverty but, they also try to
address environmental issues and to do so in a sustainable way. So a lot of the programs we are looking at, for example the Mars program, are about “how does one increase the income levels of rural farmers through ways of improving productivity that enhances both social capital and environmental capital.”

John: I agree with you. Let me, though, change the topic to social entrepreneurship and social enterprise. Will you comment on this?

Colin: I think this is the most interesting and exciting area because, over the last decade or so, we’ve had an emphasis placed, not least at this business school, on the notion of social entrepreneurship and the ways in which social enterprise can address social problems and poverty. There is no question that they play an extremely important role and galvanize a huge amount of energy and enthusiasm.

The problem, though, is that both social entrepreneurship and social enterprise are incredibly difficult to scale. On the other hand we have had big organizations with huge amounts of capital available to them, much of which they don’t know what to do with. For the most part they really have not been engaging with the social change through business agendas.

What we’re beginning to see through organizations like Mars and HBSC is that businesses are beginning to appreciate that the idea of doing good is not inconsistent with doing well. On the contrary, doing good is a way through which big business can do well.

This new practice is not just corporate social responsibility. But it becomes ingrained in the businesses and the businesses utilize their resources to benefit other parties in a way that is also conducive to benefiting the businesses. That sort of mutual benefit offers the greatest potential for companies to make a really significant contribution to the scaling up agenda because it allows them to bring their resources to, for example, providing equity capital.

So much about what has been going on in the developing world has hinged around debt. We know precisely that high interest debt is not the way to get people out of poverty. But the big companies are in a position where they can actually bring equity capital that provides a real form of sharing the benefit that I think offers a far greater potential.

When we ask more broadly, “What are the mechanisms by which the good corporations can do even more,” what we are finding is that a lot of the good activity is based in building up relationships in communities. Partnerships with NGOs, national governments, and local governments are now common. These have not been the traditional partners of big business in the past. To address the ecosystems that are broken in communities and identify what needs to be fixed, partnerships are essential.

Frank: What I see employee-owned companies doing, and even small family-owned companies, is serving as incubators. Zingerman’s Deli in Michigan is a 100% employee-owned company. They claim they are not an ESOP, some people say they are an ESOP. The bottom line
is they have some form of employee ownership. They have expanded from just a delicatessen to where they now own eight businesses.

If you look at SRC, a company talked about earlier in the conference, they expanded from one enterprise to about 50 firms. If you look at Mondragon, depending on how you want to count, they have over 110 or 160 different co-ops. Mondragon itself is an umbrella organization and they even have co-ops creating additional co-ops. If you look at their organizational chart, it looks like a network of brain cells. Tendrils and neurons spiraling out from the center of this organization. People develop knowledge within the co-ops, they develop the skills within the co-ops, and then they expand outward and develop additional co-ops.

In fact, at Zingermans, there is no centralized control of any of the additional enterprises that have been developed.

End of day 1

Introduction to Day 2

John Hoffmire & Zahid Torres-Rahman

Zahid: Good morning everyone. I want to start off by thanking John Hoffmire and all the supporters for making this event possible. So, for those of you who were here yesterday afternoon, you witnessed John ask me this question in front of the whole audience: “Where do your beliefs come from, and how do they factor into your creating Business Fights Poverty?” I was thinking about this question last night a bit further and I think, it’s not likely due to one religion or one culture, but probably a mix of lots of religions or cultures which are unique to my family experience. My grandmother was Anglo-Irish and German. She went to live in India and ended up falling in love and getting married to a local. She was then disowned by her family for all her life, which happened about 30 years before interracial marriage was legalized in the US. So she was a real pioneer. My own parents fell in love and married across divisions, I was born just before Bangladesh, during a war between their two countries that created it.

In true family spirit I got married to a European, so I’ve kept that tradition alive of crossing divides. Three things I would like to talk about, briefly, from my own experience are these. The first is that I hold a deep belief in humanity; a belief in the basic goodness of people. The second is an idea that despite the differences that are apparent, we actually have a lot more in common than the things that keep us apart; because of this, many of us have a general desire to make the common things we share that much stronger. The third is the idea that we fundamentally have a need to be connected.

When I went into international development, 25 years ago, it wasn’t a big leap for me to believe that poverty reduction was important. I just didn’t know exactly what was going to work. But, specifically, we came up with the idea of wanting to bring people together across sectors and