MOBILISING THE SUPPLY CHAIN COMMUNITY TO SOLVE GLOBAL CHALLENGES

ENGAGING THE PRIVATE SECTOR
Barry Blake
Vice President, Research, SCM World

Barry leads research about globalisation and new markets, distribution and logistics networks. His research cuts across all industries with a particular focus on the healthcare and life sciences value chain. He joined SCM World in 2013.

Prior to that, Barry was the lead healthcare and life sciences analyst on Gartner’s supply chain research team, where he led and managed the Healthcare Top 25. He has also served as a senior research analyst and client services manager at AMR Research. In total, he has published over 60 research articles and reports on numerous supply chain topics.

Barry holds a Bachelor’s degree in English from College of the Holy Cross and a Master of Arts in Writing from Emerson College. He is based in Boston, Massachusetts.
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As members of the SCM World community know, best-in-class supply chains provide them with a competitive edge in today’s volatile global economy. Companies such as Unilever, Amazon, Nike, Caterpillar, Cisco, Chevron, Dell, Nestlé and General Mills understand how their supply chain performance drives the bottom line. Their supply chains need to be agile in responding to changing customer needs, possible shocks in available supplies and disruption to existing delivery channels. The SCM World community is built on the ethos of common learning and sharing of this best practice.

At the Bill & Melinda Gates Foundation, we believe that all lives have equal value. We are impatient optimists working to reduce inequity. In public health terms, this means ensuring all men, women and children have access to life-saving products and programmes. As our CEO Sue Desmond Helmand discusses in her 2016 annual letter:

“What if infectious diseases could no longer wreak havoc on poor communities? What if women and girls everywhere were empowered to transform their lives? What if all children – especially the poorest – had an equal opportunity to reach their full potential?”

In order to answer these questions, we need to work with partners across the public and private sector and civil society. While we are increasingly seeing the emergence of the technology, tools and products needed to make a difference, we need a community of partners to implement and ensure these products are available at the last mile. We need best-in-class supply chain practices adapted for some of the challenging low resource environments at low levels of maturity.

This report highlights emerging examples of partnerships in global public health where the private sector is helping to bring about improvements in supply chain performance. These range from Zipline’s unmanned aerial systems delivering life-saving commodities in Rwanda, to working with local Coca-Cola bottlers to share some of their local best practices with partners in the public sector. We look forward to working with SCM World partners as we seek to give communities equal access to available medicines and products.
EXECUTIVE SUMMARY

The SCM World community is home to many of the foremost supply chain and operations leaders across the globe. These leaders understand the value of their profession in a fundamentally different way than how the profession has been perceived historically.

Many of these leaders recognise supply chain’s role in both giving their companies a competitive edge and positively impacting the societies in which the organisations compete. This merging of commercial and social value is at the heart of many of these leaders’ visions for their companies.

According to recent SCM World data, approximately 70% of respondents to our Future of Supply Chain survey recognise that supply chain plays either a substantial or a limited, but meaningful role in solving the world’s three biggest challenges: universal access to healthcare, the global distribution of food and environmental sustainability.

Moreover, no less than 42% of respondents feel optimistic about helping to solve these systemic challenges over the next three years: a huge 67% are optimistic about our ability to tackle environmental sustainability.

This optimism, coupled with the value the global supply chain leadership community brings to their organisations, is essential to the collaborative networks that stand the best chance of helping to solve these challenges.

Borrowing from The Coca-Cola Company’s use of the term “Golden Triangle” for these relationships, we see enormous opportunity for the supply chain community to positively impact societies across the globe.

In this report, SCM World, in partnership with the Bill & Melinda Gates Foundation, helps to clarify and articulate how the private sector can more effectively support development efforts by building on existing programmes or establishing new and innovative shared value partnerships. We see the SCM World community as a resource of strategic importance, which can more directly help in global development efforts. A few considerations that arose through this research include:

- Organisations should first understand the appetite for shared value engagements within their companies. Embracing these engagements can require a cultural shift and patient leadership from the top.
- Shared value engagements can lead to innovative R&D opportunities. In a non-traditional sense, shared value is an important long-term tool for market growth.
- Partnerships with organisations such as the Bill & Melinda Gates Foundation offer a tremendous opportunity to continue to develop the system leadership requirements that are critical to the future of both supply chain organisations as well as societies.

We would like to thank Maeve Magner, Trip Allport, and Mozammil Siddiqui for their instrumental contributions to this research.
INTRODUCTION

The Coca-Cola Company’s CEO Muhtar Kent refers to the network of partners that must come together to tackle systemic global challenges as the “golden triangle”. Consisting of the private sector, governments and civil society, the golden triangle is the collaborative network best suited to address societal challenges such as universal access to healthcare, the global distribution of food and environmental sustainability.

The premise is simple enough: no standalone organisation has the resource capacity, the full suite of capabilities or the means and motivation to independently tackle these challenges. However, each stakeholder group in the golden triangle has capabilities that when marshalled with abilities of others, can lead to meaningful change and societal development.

Golden triangle partnerships are inspiring, and many organisations involved in global development have done an incredible job in clarifying the strategy for successful cross-sector partnerships. However, the fact that the strategy is clearer doesn’t mean that these partnerships are easier to implement. Lack of trust, lack of readiness, uncertainty on what different partners can offer and how to articulate the need, all play a role in limiting the reach and scale of these relationships.

SCM World, in collaboration with the Bill & Melinda Gates Foundation, wanted to dig further into cross-sector partnerships. What has been the experience of the private sector when engaging in development work? What’s gone well and what hasn’t? How can the public and private sectors communicate more clearly on how to support one another? What are the mechanisms – from philanthropy to commercial agreements – that organisations use to help address global challenges?

The purpose of this research is to highlight challenges and opportunities for cross-sector partnerships and in doing so, to increase the willingness of parties to pursue these relationships. Reaching this point will often require both a cultural and a strategic shift in the mind-set of private sector organisations. This shift starts with understanding the concrete commercial growth opportunities for companies that move from philanthropic to shared value models of engagement.

Perhaps more importantly, this research is intended to serve as a call to action for supply chain professionals. The SCM World community is home to many of the foremost supply chain strategists and practitioners in the world. Since much of the work limiting the effectiveness of, for example, the public health sector in low- and middle-income countries is related directly to inefficiencies in supply chain management, the SCM World community is a resource of strategic importance. It’s time to tap into it.
SUPPLY CHAIN AND SYSTEMS LEADERSHIP

As we shared in our Healthcare for the Poor report earlier this year, a significant portion of our supply chain community recognises that it plays an important role in solving global challenges such as universal access to healthcare, the global distribution of food and environmental sustainability. In the results from the survey we fielded among our community, Figure 1 shows the number of respondents that believe supply chain plays a substantial role, a limited but meaningful role, or no role at all across all three of these challenges.

There’s no shortage of ambition in the supply chain community. Approximately 70% of respondents recognise a substantial or meaningful role for supply chain in tackling these global challenges. Cutting across all industry segments and functional disciplines, we see in this respondent profile the hallmark characteristics of the systems leader.

Peter Senge, Hal Hamilton and John Kania describe these characteristics in The Dawn of System Leadership. They explain that the attributes of a systems leader include the ability to understand the larger system in which the leader operates; the ability for reflection, listening and constructive dialogue; and lastly, the ability to steer organisations away from fire-fighting to long-term problem solving that “co-creates” the future.

The evolution in supply chain that we’ve witnessed over the years suggests that these leadership characteristics will only grow stronger as the profession continues to advance. In many ways, supply chain offers the perfect breeding ground for these capabilities, which are instrumental in optimising collaborative networks such as the golden triangle.

An additional attribute that systems leaders share is optimism. The SCM World community is fairly bullish on its ability to tackle these systemic challenges. Data taken from our recent annual Future of Supply Chain survey captures how positive, negative or unsure our community feels towards tackling access to healthcare, the global distribution of food and environmental sustainability over the next three years.

Looking ahead three years, what is your general outlook on each of these global challenges?

<table>
<thead>
<tr>
<th>Global Challenge</th>
<th>Optimistic</th>
<th>Pessimistic</th>
<th>Unsure</th>
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<tbody>
<tr>
<td>Ensuring long-term environmental sustainability</td>
<td>67</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Providing accessible healthcare</td>
<td>42</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td>Feeding the world</td>
<td>44</td>
<td>22</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: SCM World Future of Supply Chain survey 2016

% of respondents
n=1,413
No less than 42% of respondents are feeling optimistic that the world will make headway across these challenges and an impressive 67% are bullish on long-term environmental sustainability. This is remarkable when we consider the deep geopolitical uncertainty the world is facing right now.

Below, we have included a sample of comments from respondents that summarise their reasons for optimism, the role supply chain leadership can play and what should change to make a positive impact on these three global challenges:

• **Plant manager at an industrial equipment manufacturer:** “In general, we need to reward a longer-term focus on providing solutions to societal challenges instead of short-term incentive-oriented shareholder value, which is driven by productivity rather than competitiveness”.

• **Director, Supply Chain at a consumer products manufacturer:** “The Chief Supply Chain Officer should be more actively involved with the World Health Organization; for example, he or she should lead collaborative efforts with other industries within a particular government framework or channel”.

• **Vice President, Supply Chain at a food & beverage manufacturer:** “Business as an institution has to play a major role in tackling the challenges of environmental sustainability, promoting equitable economic growth and feeding the world. Governments do play a very influential role. However, businesses have access to resources, expertise and reach which goes well beyond what governments have”.

• **President, Operations at a healthcare organisation:** “More virtual technology will allow good healthcare to be accessible to remote parts of the world. Moreover, I believe Western food productivity methods will spread if governments will support its proliferation”.

• **Director, Supply Chain at a hi-tech manufacturer:** “Human ingenuity never ceases to amaze. As the digital revolution continues to unfold I expect we will start to come to terms with these massive challenges”.

Inherent in all of these comments is the understanding that no single group holds the answer to these challenges. It requires partnership and systems leadership. More than anything, it requires the main stakeholders within the golden triangle to come together.
DEFINING THE GOLDEN TRIANGLE

In this context, the golden triangle is a global development ecosystem that consists of the private sector, public sector agencies and development partners, which include all the different funding agencies, large- and small-scale NGOs and implementation partners.

Admittedly, this is an oversimplified representation of the cross-sector stakeholders and the capabilities each brings to development efforts. The global development landscape is quite complex and it’s important, at least initially, not to get lost in this complexity.

While the role of the private and public sectors is fairly intuitive, the role of government partners may be new to some.

These organisations are instrumental as bridges between the public and private sectors. In addition to providing funding and financing, in many cases, they act as facilitators between public sector need and private sector supply. They help to build the relationship and offer transparency to both parties, which can ease issues of trust that might exist prior to the beginning of a partnership. There are many of these organisations at work today, including the Bill & Melinda Gates Foundation, Gavi (Global Alliance for Vaccines and Immunization), the Rockefeller Foundation, the Global Fund, USAID, DFID, UNICEF and the thousands of smaller NGOs operating locally across the world. These organisations have ambitious goals that aim for a big societal impact.

Source: Bill & Melinda Gates Foundation and SCM World analysis
Land O’Lakes International Development takes a systems approach to development in Africa

Land O’Lakes is a $14 billion farmer-owned co-operative, with three primary divisions: dairy foods, animal nutrition and agricultural services. Its additional International Development division acts as a major non-governmental organisation attached to Land O’Lakes. This division was created to support commercially sustainable and economically viable food and agricultural supply chains in markets where people are generally making just three or four dollars a day.

Figure 4 shows how Land O’Lakes evaluates new markets for development. It’s a diagnostic tool that extends beyond the normal supply chain analysis that would be carried out for a more developed market.

The direct supply chain is represented in the middle of the diagram: it starts with producers, which are often farmers or dairy producers, then moves to assembly groups such as cooperatives, associations and farmer business groups, to the global and regional retailers. This is a complex value chain, but companies will have very limited success if they only focus on the direct supply chain.

Land O’Lakes moves a step further and looks at the support markets and the national and local enabling environment. In many cases, the support markets may not exist and the enabling environment may be very immature. For instance, it’s very important to understand the level of access to financing for the market, since if that access doesn’t exist, any activity carried out in the direct physical supply chain will be unsustainable.

Likewise, Land O’Lakes evaluates if there are business and technical service providers that can offer consulting services, handle equipment repairs and carry out all necessary activities to keep the direct supply chain healthy. This diagnostic tool allows the company to map out all these factors and highlight areas of deficiency, concern or strength.

It’s also really critical to understand the standards and policies and their relative state of development, which varies by country and even across districts within countries. According to Land O’Lakes, standards have a come a long way in Africa. There are more and more regional trading blocks that have synced up food safety standards, reduced tariffs and made freedom of movement easier across borders. Nevertheless, this is a crucial part of the due diligence companies must carry out before engaging. Partnerships with local parties can help enormously.
UNLOCKING THE POTENTIAL OF SHARED VALUE

Golden triangle partnerships are fuelled by creating shared value. Within this development ecosystem, each stakeholder has a set of core capabilities that it excels at. When these groups partner together, their capabilities are deployed for a common purpose. If this purpose is large enough, each stakeholder should achieve any independent goals or objectives they might have and for which it made strategic sense to enter into the partnership to begin with. Essentially, this is the nature of shared value relationships: each party contributes core value and receives both a societal and organisational return.

Many organisations may think of shared value models in the context of its corporate social responsibility (CSR) and philanthropic efforts. This is somewhat limiting in the sense that it can keep the organisation from recognising that shared value is geared to establishing long-term commercial opportunities.

Figure 5 shows the fundamental differences between CSR and shared value engagement. The primary difference is that shared value integrates a company’s social development goals into its competitive strategy, but with philanthropic giving these remain separate.

For instance, donations that make up an organisation’s CSR response to a humanitarian crisis work quite well if the organisation is able to approve the donations quickly. It’s also useful in quickly approving secondees for six-month assignments. Shared value engagement may be more appropriate for asset and resource investments such as new warehouses, which internally may face a long approval process.

Zipline and The Coca-Cola Company are two examples of shared value relationships.

5 | The differences between corporate social responsibility and shared value

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<thead>
<tr>
<th>Corporate social responsibility (CSR/philanthropy)</th>
<th>Shared value</th>
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<tbody>
<tr>
<td>Applies profits to social interests</td>
<td>Trades off short-term profitability for social and environmental objectives</td>
</tr>
<tr>
<td>Financial contributions as well as in-kind donations of services, equipment or people over the short or long term</td>
<td>Social impact objectives integrated into business strategy</td>
</tr>
<tr>
<td>Smaller operational commitment</td>
<td>More complex operational environment</td>
</tr>
<tr>
<td>Adjacent rather than integrated into business strategy</td>
<td>Company’s competitive strategy intertwined with robustness of communities it’s competing in</td>
</tr>
<tr>
<td>Driver of employee engagement</td>
<td>Business model depends on expertise of partner organisations to succeed</td>
</tr>
<tr>
<td>Enhances brand equity and reputation</td>
<td>Create innovative business model for market growth and societal good</td>
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Source: SCM World webinar, “Agricultural supply chains in Africa” presented by Land O’Lakes, and SCM World analysis
COMPANY SPOTLIGHT

**Last-mile delivery in Rwanda**

In Rwanda, one of the most common and dangerous threats faced by women during childbirth is postpartum haemorrhage. Death from postpartum haemorrhage is highly preventable as long as the caregivers have near immediate access to blood supply. Trips by road can take upwards of four hours to certain locations in Rwanda, and roads may be impassable in the rainy season.

To overcome these limitations, the Rwandan ministry of Health partnered with Zipline, a California-based drone and robotics manufacturer, to develop a delivery model that uses fixed-wing drones to deliver blood supplies within 45 minutes of a health worker placing an order by phone or SMS. The drones don’t land, but drop the supplies via parachute.

Zipline is two and a half years old; for the first two years, it operated in stealth mode, designing and developing the drone technology and software.

“At that point, our team consisted almost exclusively of engineers focused on developing the technological innovation,” says Brittany Hume Charm, head of international growth at Zipline. “As a next step, we knew we needed to augment our technical perspective with other kinds of expertise and relationships to ensure that the technology would translate into a service that delivered maximum value to public health systems. And as a small start-up, hiring can’t always be the answer—you have to get creative.”

Zipline partnered with both the UPS Foundation Gavi to help them quickly access expertise on logistics and global health delivery, respectively. This spawned a terrific example of a public-private partnership.

For instance, the UPS Foundation was able to learn about a technological advancement that could significantly impact its business over the next decade. Gavi was able to learn about and test a technology that can overcome the major hurdles to the delivery of vaccines in low- and middle-income countries, namely the need for the products to maintain a temperature of 2-8°C. This cold chain requirement for refrigeration is dramatically reduced if you deliver the products at exceptional speed or just in time.

Zipline received credibility by being associated with two well-respected global leaders as well as valuable advice that helped its first customer implementation in Rwanda take flight — literally. It took away significant learnings in logistics services from UPS’s deep operational expertise in nearly every country across the globe. And from Gavi, Zipline learned the ins and outs of working with Ministries of Health as well as the technical requirements of transporting cold chain products at spec.

This first use case of drone health product delivery holds tremendous promise to transform last mile delivery in low- and middle-income countries. It also demonstrates the importance of nurturing public-private partnerships to not only create new business models, but also help a government realise its vision for its citizens.
COMPANY SPOTLIGHT

The Coca-Cola Company’s 
EKOCENTERs use modularity to empower communities

Modularity and platforming are essential tools that supply chain executives have used to both reduce cost and increase the scale of innovations. The Coca-Cola Company has taken this concept even further with one of its latest innovations, the EKOCENTER.

EKOCENTERs are modular village centres and retail kiosks that serve a number of purposes such as providing power, internet connectivity, access to clean water and more. The kiosks are constructed from repurposed shipping containers and use solar panelling as their power source.

The EKOCENTER is in many ways a platform from which basic societal needs can be fulfilled, while also putting in place the building blocks for further community development.

For instance, modular community health centres can piggyback on the services provided by the EKOCENTERs. Health commodities could become easier to dispense using this model. The Coca-Cola Company already recognises the opportunity to store vaccines and other temperature-sensitive medical products using EKOCENTER refrigeration capabilities.

Also, consider the opportunity that the EKOCENTER offers to support last-mile delivery. Logistics service providers don’t always have the luxury of having a recognisable address to deliver to in many rural or hard-to-reach areas in low- and middle-income countries. The EKOCENTER can act as the geo-locator for logistics providers that now have a reference point for delivery of essential commodities. Moreover, entirely new maps with much greater accuracy could be developed from these reference points.

EKOCENTERs follow the example of many of The Coca-Cola Company’s other development projects including its micro distribution centres. As with this initiative, the company empowers a local entrepreneur to operate the EKOCENTER. These entrepreneurs are typically women, which helps to support the company’s goal to empower women in low- and middle-income countries. Also, these kiosks are revenue generating; in order for EKOCENTERs to succeed, the revenue generated must at least cover the cost of operations – a requirement that shifts this social development effort away from philanthropy and towards sustainable commercial development.

By June 2016, The Coca-Cola Company and its partners had placed more than 100 EKOCENTERs across Africa. This effort is in many ways a textbook example of golden triangle partnerships. Other private sector companies outside The Coca-Cola Company’s domain, for instance, provide much of the technological expertise and hardware necessary for the kiosks to function. NGOs and governments provide the expertise on local context as well access to implementation work. For example, The Coca-Cola Company uses local manufacturing to assemble kiosks for the Ethiopian market.

6 | An EKOCENTER kiosk in Rwanda

Source: The Coca-Cola Company
HIGHLIGHTING THE CHALLENGES TO PRIVATE SECTOR ENGAGEMENT

Zipline and The Coca-Cola Company are very positive examples of private sector engagement in societal development efforts. They provide models on how other private sector companies can engage with the public sector and government partners. And, as we shall see, these aren’t the only examples – many companies are involved in meaningful efforts to positively impact the societies in which they operate.

However, shared value or social enterprise models are still a small fraction of the business models companies deploy to serve societies at the base of the pyramid. The private sector’s involvement in development efforts tends to be incremental rather than transformative. Scepticism on the viability of shared value models persist in many organisations, and questions on the ability to scale these models into self-sustaining commercial platforms are profound.

What are some of the limiting factors to private sector engagement and shared value models?

Lack of readiness

- Many private sector entities are simply not ready to get involved in shared value business models. The extent of their societal development efforts is philanthropic, geared towards improving or protecting the company’s reputation, or as part of employee engagement efforts.

- Different stakeholders in the golden triangle could be moving at different timeframes. For instance, a large donor such as USAID could have a project fully designed with an expectation that it will launch in a short timeframe, but private sector participants may not be there yet. Integrating a private sector company into the project as part of a shared value model could be challenging, since the company may not yet be prepared to participate in that type of collaborative model.

Lack of strategy

- Private sector entities may lack a well-defined strategy for business development in low- and middle-income countries. Does a company have, for instance, a commercial and operations strategy for the regions and countries where development efforts are focused? If not, weaving these entities into an existing or soon to launch development effort may not bear fruit.

- Internally, the organisation may be misaligned on the value of participating in such efforts to begin with. There could be significant misunderstanding or even scepticism on the value of social enterprise. Culturally, the organisation hasn’t yet committed to public-private partnerships. In these cases, champions within the organisation need to educate the broader business on the value of such partnerships. This can be a slow process.

Lack of trust

- The private sector also has more immediate concerns in dealing with the public sector. For instance, they may distrust that the public sector understands the nature of commercial enterprises, and the pace at which commercial businesses move. They question the bureaucratic nature of many government institutions and worry that such bureaucracy will be too challenging to navigate. They also may worry about funding, and whether or not payment for any services will be timely. Lastly, and perhaps most importantly, they worry about compliance. Will the relationship cause any issues that could be detrimental to the integrity of the enterprise?

- Lack of trust is an issue for the public sector as well. There can be significant distrust of the motives of the private sector in wanting to partner. Public sector employees may worry about the potential loss of
employment if they begin to partner with the private sector; they worry that they will lose control of the decision-making process when it comes to meeting their objectives; and they worry about the sharing of information that could be used against them at a later time.

- The public sector often isn’t sure how to articulate the need from the private sector. This may be associated with the different ways of looking at problems, and the lack of lean six sigma practitioners within the public sector. Identifying and defining the root cause of an issue would go a long way to recognising what support is required from the private sector.

Figure 7 can be used to assess the degree to which any key stakeholder (at both the organisational and individual level) is ready and willing to engage in shared value development efforts. There will certainly be some instances where it doesn’t make sense to expend any effort in working to engage the party in a shared value model.

### Partnership evaluation

Gauging readiness and willingness of key stakeholders

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<tr>
<th>Readiness</th>
<th>Willingness</th>
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<tbody>
<tr>
<td><strong>Persuade</strong></td>
<td>Instruct</td>
</tr>
<tr>
<td><strong>Ignore</strong></td>
<td>Engage</td>
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</table>

Source: SCM World
MOTIVATIONS FOR PUBLIC-PRIVATE SECTOR ENGAGEMENT

While not every private sector company is ready to fully embrace a shared value model, many are deeply committed to positively impacting the communities in which they operate. Company motivations for involvement range across the spectrum and are dependent on the type of engagement the company chooses.

Figure 8 highlights the different motivations for companies engaged in philanthropy, shared value or commercial activities in low- and middle-income countries. In this graphic, we rank whether a factor is a high, medium or low motivational consideration for an organisation.

Again, each is valuable, and in many cases, shifting to traditional commercial agreements is the expected outcome of shared value relationships. In fact, many companies may simply pursue straightforward commercial engagements with the public sector or civil society since they have the resources in a particular market and are willing to make direct investment on their own.

For our purposes, however, the different motivations and incentives for either philanthropy or shared value are most interesting. Let’s look at two examples of what has motivated organisations to pursue philanthropy and shared value respectively.

Source: Bill & Melinda Gates Foundation and SCM World

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Philanthropy</th>
<th>Shared value</th>
<th>Commercial</th>
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<tbody>
<tr>
<td>Brand equity</td>
<td>H</td>
<td>M</td>
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<tr>
<td>Business/market development</td>
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<td>Non-traditional R&amp;D</td>
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<td>H</td>
<td>M</td>
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<tr>
<td>Social impact</td>
<td>M</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>H</td>
<td>H</td>
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MOTIVATIONS FOR PUBLIC-PRIVATE SECTOR ENGAGEMENT

COMPANY SPOTLIGHT

Schneider Electric works to reduce energy poverty across South-East Asia

Globally, around 1.3 billion people lack access to electricity vi. This lack of electrification, particularly rural electrification, poses significant educational challenges for the populations living without access. For instance, the simple act of studying and completing school work at night becomes much more difficult without access to proper lighting.

Schneider Electric, one of the world’s foremost energy management and automation companies, created the “Light it Up” CSR programme to address this challenge. Since 2014, it has distributed around 6,000 Mobiya solar-powered lamps to households across Asia Pacific. These lamps, manufactured in its Indonesian manufacturing plant, are paid for by Schneider Electric employees.

According to Mourad Tamoud, Senior Vice President of Global Supply Chain at Schneider Electric: “employees in more mature economies pay a slightly higher price for the lamps, which covers the distribution, employee travel and the installation of the lamps in households across South-East Asia”.

The lamps, which are recharged by a solar panel, are not only beneficial to students in remote regions, but also individuals who must work in the dark or at night, such as fishermen. Schneider Electric employees travel to these remote regions and help distribute, install and educate the households on how to properly use the lamps.

The goal is to distribute an additional 1,700 of these lamps over the next 12 months.

While the programme is purely philanthropic at this point, Schneider Electric recognises significant benefit in the form of employee engagement. Employees are deeply committed to the programme, often giving up their weekends and time with families to participate in the installation of these lamps in rural communities.

“When employees see an opportunity to lend themselves to Schneider Electric’s mission of broadening access to energy,” says Tamoud, “they jump on it like gang busters. They show a great deal of pride in supporting the mission.”
**COMPANY SPOTLIGHT**

**Energize the Chain develops unique partnerships to bring the cold chain to rural communities**

Energize the Chain is a not-for-profit organisation that aims to build public-private partnerships between telecommunications providers, bridging organisations such as § and USAID, and public sector Ministries of Health. This innovative shared value partnership makes use of assets and infrastructure from industries unrelated to healthcare access for vaccine distribution.

Cell towers are proliferating across low- and middle-income countries as mobility continues to skyrocket. These assets are no longer solely concentrated around major urban centres, but are being built further and further into rural, energy poor communities. In order to operate, cell towers require a power source, such as generators. There’s typically residual or excess energy available from the generators since it’s not all used to power the cell towers.

This is where Energize the Chain saw the opportunity. Cold chain medical products such as vaccines require refrigeration and must be kept at a temperature of 2-8°C. Refrigeration requires power. What if it could take the excess power from cell towers and use it to power refrigeration units for medical product storage?

Working with various bridging organisations as well as the Ministries of Health in Ghana, Zimbabwe and India, Energize the Chain co-located refrigeration units to store vaccines and other health commodities in the cell towers. These cell towers typically have strong security, which makes them effective distribution nodes along the last-mile vaccine supply chain.

This a tremendous example of systems leadership in action. What you have is an industry that doesn’t necessarily correspond to healthcare delivery using its assets to increase access and at the same time creating a more productive healthy society, which only improves the commercial opportunity for the adjacent industry. There are real economic benefits to vaccination efforts since women and childcare providers spend less time looking after sick children.

Examples such as Energize the Chain show how shared value business models offer very fertile ground for creative problem solving to large-scale global challenges.
EMPOWERING THE PURPOSE-DRIVEN ORGANISATION

There are many benefits to private sector engagement in global development efforts including the obvious opportunity to help save lives and develop societies. This may sound idealistic, but it’s an important element of competitive strategy. A couple of years ago, Michael Porter said: “the competitiveness of a company and the health of the communities around it are mutually dependent.”

Most companies understand this, but find it challenging to make this concept a part of a broader commercial strategy since it’s a very long-term play with many chances for short-term failure. Organisations that attempt more innovative shared value business models, and initially fail, may lose entrepreneurial appetite to try again due to pressure from shareholders. In particular, companies that may fail very publicly and spectacularly at shared value engagement really may be averse to trying them again afterwards.

Companies that have been through this think of it as a five-stage process: test, fail, learn, iterate and repeat. Where companies can make mistakes is by trying to scale immediately after the test phase. Moreover, some may be too eager to publicise its efforts right away. Action and iteration first, then publicity.

With this in mind, what are some areas where companies can either build on existing programmes or stand up entirely new initiatives for development with help from outside parties? Figure 9 highlights how government partners and bridging organisations think about the matching of private sector supply with public sector demand, specifically around healthcare system strengthening. Each of these areas are weighted as either high, medium or low potential.

Innovation and operations stand out as two key areas of opportunity for supply chain to contribute value to development efforts. On the operational side, many organisations have established secondment programmes with aid agencies, government partner organisations or directly with public sector agencies. A couple stand out, such as UPS’s Strategic Training Executive Programme (STEP); Pfizer’s Global Health Fellows Programme, where Pfizer places employees on short-term assignments with external organisations; and the similarly structured Merck Fellowship for Global Health.

Secondment assignments are extremely important to many of the government partners and bridging organisations, which have placed talent development as a top strategic priority. In fact, one of Gavi’s three strategic pillars of its supply chain strategy is hiring and strengthening supply chain managers.
## Matching public sector need with private sector supply

<table>
<thead>
<tr>
<th>Public health sector need</th>
<th>Potential private sector support</th>
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| **Market shaping**        | • Partnering to accelerate markets, increase market share/reach  
                            • Reducing market pricing (various mechanisms) to increase access through affordability  
                            • Building market demand for health products and services through strategic marketing/demand generation |
| **Financing and funding** | • Designing new business and funding models to increase access  
                            • Providing direct funding or in-kind to build infrastructure or other capex for market enablement |
| **Innovation**            | • Support sharing of leading practices and innovations that can be applied to development challenges  
                            • Support piloting of innovative technologies in developing markets (eg, drones) |
| **Policy**                | • Guide logistics and supply chain policies and regulation  
                            • Raise awareness around policy changes at various levels |
| **Strategy**              | • Input to national supply chain strategy development  
                            • Input to MoH/ CMS organisational structures  
                            • Input into private sector engagement approaches |
| **Operations**            | • Technical assistance, service delivery and products and technologies to strengthen the health and supply systems  
                            • Potential for direct funding, or leveraged through connecting in other private sector funded programmes (eg, foundations work) |
| **Traditional CSR**       | • Donation of goods/services/funds for humanitarian disaster relief  
                            • Volunteer staff |

![Source: Bill & Melinda Gates Foundation](source)
COMPANY SPOTLIGHT

Kimberly-Clark Corporation wants everyone to have access to proper sanitation

Poor sanitation takes a staggering human and economic toll. Diarrhoeal disease is among the leading causes of death for children under five years of age and it’s the seventh leading cause of death in all age cohorts globally. Oxford Economics estimates that poor sanitation cost the global economy US$222.9 billion in 2015.

A pillar of Kimberly-Clark’s mission is to help increase access to proper sanitation. One of its main corporate social responsibility programmes to address this problem is ‘Toilets Change Lives’, which includes solutions-oriented collaborations with several organisations including the Toilet Board Coalition (TBC). TBC is a not-for-profit consortium with the goal of driving private sector engagement in global sanitation solutions.

Toilets Change Lives is a commercial programme that’s been implemented in several regions across the world. The company’s brands support sanitation programmes sponsored by the likes of Unicef and other NGO partners. The idea is that if you solve for sanitation, you remove many of the upstream causes that limit societal and economic development.

The programme has both a philanthropic and a commercial focus, and Kimberly-Clark’s vision is to shift to a shared value model. According to Lisa Morden, Senior Director of Global Sustainability: “we are looking at how we can help support entrepreneurs developing more sustainable toileting solutions all over the world”.

This element can often be overlooked by organisations that haven’t yet started to explore transitioning from pure CSR to shared value. Shared value models can open a private sector organisation to more creative research and development opportunities. “Our research and engineering teams,” says Morden, “also partner with the Coalition to think about ways to apply Kimberly-Clark’s unique capabilities to help solve these significant global sanitation issues.”

At the end of the day, by raising awareness on the sanitation conditions endured by people living in low- and middle-income countries, Kimberly-Clark is helping to keep the human being at the centre of both the programme and its purpose as an organisation.

“There is a hugely emotional connection you end up making,” says Sandra MacQuillan, Kimberly-Clark’s Chief Supply Chain Officer, “that transcends Kimberly-Clark. Sanitation is fundamental to human dignity.”
A PATH FORWARDS

This research should help to clarify and frame some of the ways that the private sector can engage in development work or enhance efforts that organisations might already have underway.

The opportunities are endless. We’d like to highlight two opportunities in particular: one that’s planned to take place next year and another that’s long term.

First, the Bill & Melinda Gates Foundation is working alongside other partner organisations to host a private sector engagement workshop in 2017. The workshop will bring together executives from the private sector, donor organisations and government agencies to imagine new and innovative approaches to public-private partnerships with the particular goal of building resilient and sustainable health systems in low- and middle-income countries. Participating in this workshop would be beneficial for organisations that wish to learn about the value of such partnerships as well as those that may be further along in their adoption.

The second, longer-term opportunity relates to a Bill & Melinda Gates Foundation initiative known as the African Resource Centre (ARC). The ARC (see spotlight section for more detail) acts as a bridging mechanism to strengthen health systems supply chains in Africa while reducing the barriers to private sector engagement. The ARC should make it easier to match public sector need to private sector supply.

Roles that the ARC could play include:

- Helping to match and integrate the private sector into development initiatives, and buffer the political complexities.
- Assisting in the development of business models appropriate for shared value work.
- Acting as an honest broker between the public and private sector and help develop the relationships and the business case.
- Supporting private sector engagement with donors and governments to increase confidence in return on investment.
- Matching co-investments and providing capital to strengthen business cases.
- Helping to match funding opportunities to private sector offerings and development needs and supporting the procurement process.
- Helping to de-mystify global development and build delivery models that capture the best value that the private sector can offer.

Organisations such as GlaxoSmithKline are already working with the Gates Foundation on the ARC. Participating in this could be a really interesting way to establish and test an Africa strategy for organisations looking for the right approach to commercial opportunities that exist on the continent.
The Africa Resource Centre (ARC) is a concept developed by the Bill & Melinda Gates Foundation, alongside a range of other donors, governments in Africa and private sector partners. Their vision is to build a supply chain think tank that can provide independent strategic advice to help countries meet their public health goals. The ARC aims to work with stakeholders across sectors and throughout the value chain, to broker, match and structure partnerships across the private sector, civil society, academia and donors to support Ministries of Health in Africa. These will leverage local and international talent and expertise to strengthen supply chains and improve the availability of medicines. There’s a strong emphasis on bringing together private sector talent, resources, networks, tools, data and methodologies in a more sustained way.

Since 2014, the Foundation has taken the ARC from initial concept to pressure testing different designs with partners, to now supporting three, shortly four, partner organisations. In this time, it has engaged a wide range of private sector partners to explore opportunities where their capabilities and passion to make a difference align with the needs of partners on the ground. Over and above bilateral engagements, the ARC aims to have even greater impact than the ‘sum of the parts’ by coordinating multiple private sector partners into the same in-country value chain. Notable examples include:

- **In South Africa**, it’s working with USAID, The Global Fund and the Foundation to support the National Department of Health (NDoH) to strengthen access to medicines by improving the NDoH’s visibility and analytical capabilities to make better informed supply and distribution decisions. This programme is leveraging the strengths of Unilever and Procter & Gamble, which both provide subject matter expertise in defining supply chain key performance indicators, developing business rules and master data structures, and coordinating various implementing partners in a unified transformation roadmap.

- **In Nigeria**, the ARC is working with an initiative called Project Last Mile, which aims to leverage the expertise of The Coca-Cola Company and its bottling partners to look at how best to structure contracts for outsourcing and manage the maintenance of the cold chain for vaccines in Lagos State. This leverages a core competency of the Nigerian Bottling Company (NBC), which has over 77,000 refrigeration units nationally and has achieved a 99.3% uptime. The NBC has helped negotiate a contract with its local service provider to obtain a comparable service level agreement and pricing for the National Primary Healthcare Development Agency of the Ministry of Health, which manages the cold chain and immunisation programme. The ARC is also exploring opportunities to leverage GSK capability in another part of this value chain to provide technical assistance in managing third-party logistics companies to support direct distribution to health facilities.

- **In West Africa**, the ARC is working with a major transformation initiative across a number of countries in the region, which aims to increase access to maternal and newborn child health commodities. Following on from support provided by McKinsey & Co and the William Davidson Institute of the University of Michigan to develop country actions plans to strengthen the supply chain, the ARC aims to inject private sector support to enhance and initiate execution of these plans from teams of experts from the likes of Merck’s Fellowship programme and GSK’s PULSE programme.

Going into 2017, the ARC is expanding its capacity significantly, and has an ambition to expand the range of partnerships and relationships with players across sectors to support this vision and mandate. The ARC welcomes interested parties from SCM World to engage with them to explore potential opportunities for collaboration where passion to make a difference meets with capabilities to make critical medicines available to all patients.
CONCLUSION & RECOMMENDATIONS

Throughout this report, we’ve looked at a number of fairly large-scale development efforts that integrate the core capabilities of multiple stakeholders to positively impact the communities in which these stakeholders operate. We’ve also highlighted roadblocks and challenges that may be limiting the private sector’s involvement in such efforts. We hope that positive long-term outcomes of this research include increasing the scale of shared value engagements and collaborating on practical solutions.

Thankfully, though, no-one truly gets involved in such efforts for such vaguely explained objectives. The real objective is people and communities. Ask yourself this: are you or your organisation involved at all in helping improve the quality of life for poor communities and the people living within them?

Imagine for a moment the impact that supply chain can play on a community health worker in a poor community. In most cases, they’re not only responsible for evaluating a patient, providing primary healthcare or offering health education – they’re also responsible for managing aspects of the supply chain. But that shouldn’t be their job. If the supply chain community can more fully embrace some of the models discussed in this report, the chances are that the community health worker won’t be splitting their responsibilities between patient care and supply chain management.

We would also argue for less idealistic motives for the private sector to engage. Engagement could allow the private sector to get into these markets sooner, driving the demand for better logistics and supply chain services which will in turn drive demand for the associated labour and service provider markets. If market entry barriers exist that are related to the underlying status of the supply chain, these are issues that can be addressed in conjunction with the government partners and development communities.

Lastly, it’s important to keep in mind the two fundamental purposes that the SCM World community serves: the first is to further advance the supply chain profession and the value supply chain brings to a business; and the second is to help tackle systemic global challenges. These are ultimately mutually supportive goals.

Nearly every example we’ve discussed in this report – from corporate social responsibility to shared value business models – flourishes due to employee engagement and the experiential learning involved.
Every organisation involved in the SCM World community has talent development at the core of its supply chain strategy. Going one step further to integrate societal development with that of an organisation’s future supply chain leaders may pay enormous dividends.

Here are a few additional considerations to keep in mind:

- Understand your organisation’s appetite for shared value engagement. How willing and ready is your organisation to participate in a shared value business model? When does it make sense to transition purely CSR efforts to more complex shared value efforts?

- Consider shared value as an innovative R&D opportunity. Many organisations that have embraced shared value see it as an important model in the R&D process. This non-traditional approach to R&D can pay dividends but should be looked through a long-term rather than a short-term lens.

- Find the right support for cross-sector partnership building. Mechanisms such as the ARC could be instrumental in helping private sector organisations navigate through the complex development ecosystem.

- Consider secondment to build leadership skills. Sharing talent with aid agencies is an excellent way to build leadership capabilities in high-potential employees. These assignments can also strengthen the degree of engagement employees feel by being part of a purpose-driven organisation.

- Nurture an entrepreneurial mind-set in employees through engagement. When given a challenge, employees can tend to surprise with their innovative solutions to a problem. For instance, running contests for the best solution to a problem that requires golden triangle partnerships would be a great way to build entrepreneurialism in your company culture.

- Be patient and persistent. Shared value work takes a long time and it’s really hard work. Having the long game in mind is critical, as is having the right people at different levels of the organisation involved and supportive. It’s critical to manage expectations around how quickly impact and value will be created.
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ABOUT SCM WORLD

SCM World is the cross-industry learning community powered by the world’s most influential supply chain practitioners. We help senior executives share best practice insights in order to shape the future of supply chain.

As a member of the SCM World community, you have access to our predictive, groundbreaking research, which is focused on driving innovation in supply chain. Our agenda is set by an advisory board of the world’s top supply chain leaders and the world’s leading business schools. We also have our own team of expert researchers who are committed to providing insights into important trends affecting the profession.

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For more information about our research programme, contact:

Beth Morgan
Vice President, Content Operations
beth.morgan@scmworld.com

2 London Bridge, London
SE1 9RA, United Kingdom
+44 (0) 20 3747 6200

51 Melcher Street, Boston,
MA 02210, USA
+1 617 520 4940

scmworld.com