



POST-SUMMIT REPORT

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Impact at Scale

Palladium Positive Impact Summit 2019



What if fighting inequality was good for business?

Impact at Scale
Palladium Positive Impact Summit 2019

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“We know that organisations are struggling to meet their sustainability commitments, and governments need private capital to achieve the SDGs. At this year’s Summit, we talked practically about implementation, helping organisations move from strategy, to pilot, to execution at scale. We aimed to bring attendees together toward actionable solutions that move the needle toward sustainable, inclusive growth in a measurable way.”

Christopher Hirst
CEO, Palladium



Introduction

The 2019 Palladium Positive Impact Summit brought together executives, governments, investors, and NGOs to share practical tools and approaches to addressing some of the world’s biggest challenges, sustainably and profitably.

Organisations of all types are faced with many of the same, global challenges, and we can no longer afford to ignore the role we play in a complex economic, social, and technological ecosystem. From supply chains to workforce development, businesses need bold thinking, partnerships, access to finance,

and governance models to drive sustainable growth. Meanwhile, achievement of the UN’s Sustainable Development Goals is dependent on private capital, while investors are looking increasingly for opportunities that deliver both social and financial returns.

At our 2018 Summit, we unveiled a roadmap for bringing together these players, featured in our seminal Harvard Business Review article, “Inclusive Growth: Profitable Strategies for Tackling Poverty and Inequality.”

This year, we took those principles and got practical about implementation, sharing tools, approaches, and case studies that truly move the needle toward sustainable, inclusive growth. We explored the challenges organisations are facing and how to overcome them, moving projects from strategy to pilot to execution at scale.

Who Attended?

Executives explored practical approaches and tools to implement profitable, inclusive growth strategies that go beyond typical sustainability pilots or CSR initiatives. These senior business leaders met the policy makers, investors and catalysts who can make their new ecosystems possible.

Investors heard from leading impact investors as they shared their experiences and opportunities with ESG strategies and new products built around inclusive growth. They explored examples of how others are seeding innovation and de-risking investments through blended finance mechanisms and shared investment platforms.

Bilateral and Multilateral Donors connected with private sector executives and learned from experts on how to leverage the private sector in their development programs. They discovered programs that integrate inclusive growth projects into their design and implementation, and how to multiply the impact and sustainability of their existing programs.

Foundations and NGOs gained insights into how an inclusive growth approach can connect underserved populations to the formal economy, and connected with the partners with whom they can incorporate this innovative approach into their existing and future programming.



Dr. Robert S. Kaplan

Senior Fellow,
Harvard Business School

“This event brings together people from many different countries and many different sectors to see how working together can create benefits that are well beyond what any one of them could achieve working on their own. Here we have corporate leaders, government and policy leaders, and NGOs seeing how to break down lines across these various sectors to create new inclusive growth ecosystems in which everybody’s a winner.”



Shamina Singh

President,
Mastercard Center for Inclusive Growth

“Events like this are important because they allow people to learn. I’ve learned a lot of new things here today; ideas, sparks that I may not have thought of before that connect to something else I’ve been thinking about. But most importantly it’s the people. Making sure that you’re spending time with people who are in this space from all different sectors and all parts of the world – that’s really been helpful to me.”



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“I enjoyed spending the day digging into the most promising and cutting-edge ideas at the Positive Impact Summit and engaging with the compelling speakers Palladium lined up.”

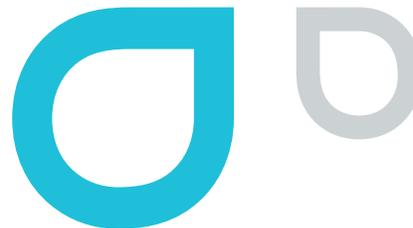
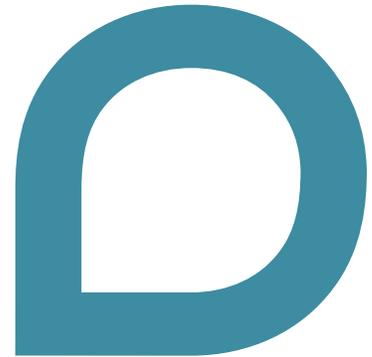
Stephanie Mehta
Editor-in-Chief, Fast Company



Master of Ceremonies

As Editor-in-Chief of Fast Company, Stephanie is one of most influential women in journalism. Her experience as a business editor with a strong focus on technology brought a fresh perspective to the challenges faced by organisations looking to scale their inclusive growth strategies.

“Fast Company has long been a chronicler of the intersection of business and social impact, and we’re constantly on the lookout for companies and institutions that are deploying solutions that are innovative, scalable, and sustainable,” Mehta says. “I enjoyed spending the day digging into the most promising and cutting-edge ideas at the Positive Impact Summit and engaging with the compelling speakers Palladium lined up.”



KEYNOTE | Impact at Scale

Dr. George Serafeim is a celebrated author and Harvard Business School professor whose MBA course, “Reimagining Capitalism”, has won multiple awards. He’s written over 100 articles and business cases and presented his work in over 60 countries around the world, including at the World Economic Forum in Davos.

Dr. Serafeim opened the Summit with a keynote speech on the business and investment opportunities created by pursuing the UN’s Sustainable Development Goals. Private business and capital is critical to addressing poverty, inequality, and climate change, and many companies have made public commitments to positive social impact. But how many have been able to deliver, and why is it so difficult to move beyond the pilot phase to achieve real, lasting impact at scale? Dr. Serafeim introduced the concept of Inclusive Growth, and discussed how companies can rethink their roles as buyers, suppliers of goods and services, and employers by co-creating strategies that drive both commercial and social impact.

Takeaways

- Companies that embrace inclusive growth strategies have better financial performance as well as social impact.
- Successful inclusive growth strategies require intentionality reflected in unique and longer-term strategies, products/services designed to align with sustainability commitments, and involvement of the organisation’s business ecosystem.
- A focus on outcomes and measurable impact is crucial.

What needs further discussion?

Why do so many companies remain stuck in the compliance or efficiency stages of sustainability and struggle to think big enough or operationalise inclusive growth strategies?



Dr. George Serafeim

Jakurski Family Associate Professor of Business Administration,
Harvard Business School

PANEL | Pathways to Breakthrough Ideas



While many development and sustainability projects struggle to survive after their initial funding runs out, some organisations have been trying new approaches. Eduardo Tugendhat, Palladium's Director of Thought Leadership, led a diverse panel of experts in a discussion around their unique approaches to identifying, structuring and incubating transformative solutions that create many times greater economic and social value in pursuit of inclusive outcomes.

Takeaways

- The big ideas behind inclusive growth strategies require innovation around new ways of achieving business, social and environmental outcomes. For Kaiser Permanente, this led them to ideas such as investing in low cost housing. For technology companies like Syngenta and Amadeus this meant moving beyond the direct application and efficacy of their technologies to ways they can unlock value for other actors in their business systems (food and hospitality, respectively). They all needed to understand their ecosystem from the perspective of the other stakeholders.
- Inclusive growth strategies necessarily involve co-creation and execution with multiple actors in their systems. Much of the innovation in inclusive growth is around figuring out the right organisational model to make this work.
- Given it is a relatively new concept, inclusive growth is a journey on which these three companies have embarked. They all agree they are still in the early stages and learning as they go, in two cases with guidance from Palladium.

What needs further discussion?

How can we measure outcomes in ways that resonate with all stakeholders?

Moderator

Eduardo Tugendhat

Director of Thought Leadership,
Palladium

Panellists

Juan Gonzalez-Valero

Head of Sustainable & Responsible Business,
Syngenta

Dr. Bechara Choucair

SVP & Chief Community Health Officer,
Kaiser Permanente

Alex Luzarraga

Head of Travel Audience & Destinations,
Amadeus

CASE STUDY | Kaiser Permanente

How can we identify the right opportunities to create the most value and impact? It takes bold thinking and inspired leadership. With a short video followed by Q&A, we took a look at how (and why) Kaiser Permanente, the largest private integrated healthcare system in the U.S., put up the money to keep rents low in an East Oakland neighbourhood on the verge of gentrification.

Takeaways

- It's critical to consider all stakeholders in the ecosystem to enact real change and impact. In this case, even though Kaiser Permanente's business is in healthcare, there are real implications from other determinants in the healthcare system (e.g., housing security) and in the lives of their patients that directly affect health outcomes, and therefore, their business.
- Oftentimes, initiatives will uncover other areas that require attention that hadn't been anticipated. For example, identifying that ~90% of those 50-years-old and above required wrap-around services (e.g., mental health, substance abuse) even after housing was taken care of, was critical to the success of some of their programs.
- Bold thinking, inspired leadership, and committed resources are required to actually do something in this space, and we need more of that across industries and companies.

What needs further discussion?

This isn't easy and requires commitment and dedication from the highest levels of the organisation, translated into critical thinking, resourcing, and real-time pivots. How can we get other companies to integrate this type of thinking into their vision and strategy?

Dr. Bechara Choucair

SVP & Chief Community Health Officer,
Kaiser Permanente



PANEL | Better Business Models through Collaboration



One of the key innovations required for Inclusive Growth at scale involves determining who within an ecosystem needs to be included and how this can be structured for long term mutual benefit. Alonzo Fulgham, former Chief Operating Officer of USAID and Palladium Board Member led this lively panel on an exploration of the pros and cons of pre-competitive alliances, public private partnerships, special purpose vehicles, incubation of social enterprises, and other organisational models. Panellists and audience members weighed in with their unique perspectives on what it takes to engage all key actors in the ecosystem, while also ensuring a structure that can endure beyond initial donor or grant funding.

Takeaways

- The development and corporate worlds have an opportunity to better identify shared objectives and align incentives accordingly. Major companies – their fundamental business, not their CSR programs – are part of global development because their supply chain operations are located in geographies where there is extreme poverty.
- We need transparency and disaggregation of data (driven by proper data collection systems) to better understand our impact. New technologies such as blockchain are one thing, but in many ways this is about getting back to basics.
- Honest brokers, or those that can convene stakeholders and align incentives for the system, do not have to be NGOs. We need to think differently about who can play this role and why we believe it's a sustainable idea to have “skin in the game”.

What needs further discussion?

How do we bridge the need for short-term business results with the understanding that it will take a long-term business case to succeed?

What are the core differences between a convener and a catalyst? How might these approaches differ and what does this look like for implementation?

Moderator

FIRST FROM RIGHT

Alonzo Fulgham

Board Member, Palladium

Panellists

FROM LEFT TO RIGHT

Raj Kumar

Founder & Editor-in-Chief, Devex

Joseph Larrose

Group Director for Sustainability, Touton

Dale Sandberg

Managing Executive for Health & Social Innovation, Mezzanine

Carla Jauregui

Head of Fundraising, Better Cotton Initiative

INTERVIEW | Pittsburgh International Airport

What does a collaborative business model actually look like, and what does it take to realize results? In this interview with Christina Cassotis, CEO of the Allegheny County Airport Authority, attendees learned more about the vision and partnerships that transformed the Pittsburgh International Airport and the region it serves.

About Christina Cassotis

As CEO of the Allegheny County Airport Authority, Christina has led a dramatic turnaround at Pittsburgh International Airport – a near doubling of nonstop destinations served, four years of record passenger traffic growth, and a recently announced Terminal Modernization Program.

During her tenure, Pittsburgh International was named Air Transport World's 2017 Airport of the Year and Regional Airport of the Year by the CAPA Centre for Aviation.

Ms. Cassotis also received the 2017 Excellence in Visionary Leadership Award from Airports Council International – North America, and was named the 2017 Director of the Year for medium- size airports by Airport Revenue News.

Ms. Cassotis began her career in commercial aviation working for the Massachusetts Port Authority which operates Boston Logan International Airport. She went on to serve as Managing Officer for Airport Services

Moderator

Stephanie Mehta

Editor-in-Chief, Fast Company

for ICF-SH&E, leading a global team of aviation consultants.

A frequent speaker at national and international aviation events, Ms. Cassotis holds an MBA from the MIT Sloan School of Management and a BA from the University of Massachusetts.

With airport staff and a team of regional partners, she continues to transform Pittsburgh's airports to reflect and serve the community, inspire the industry, and advance the region's role as a world leader.



“If you take care of your stakeholders, they will take care of your shareholders.”

Christina Cassotis

CEO, Allegheny County Airport Authority

PANEL | Financing Inclusive Growth



Investors often overlook ‘bread-and-butter’ businesses in favour of those with technology-enabled high-growth potential. But these businesses provide the everyday products and services we rely on, and drive job creation as well. How can we segment this market to provide the right financing instruments and distribution mechanisms? This panel explored hybrid instruments and the returns investors can expect.

Takeaways

- Understanding the opportunities and needs of specific market segments is critical.
- John Fairhurst (The Global Fund) made an interesting observation that the world continues to think too much in terms of ‘impact first’ vs ‘finance first’; as a result, opportunities are overlooked where the two go hand-in-hand.
- Whilst the panel agreed that mezzanine is a powerful instrument that has a big role to play in financing SMEs, we need to remain open to the fact that (1) the term means different things to different people; (2) we need to remain clear on what we are trying to solve for and not just accept it as the ‘silver bullet’; and (3) we have to be transparent about what returns can realistically be achieved.

What needs further discussion?

More data and experimentation are needed to better understand the real (vs perceived) risk involved in lending to SMEs in emerging markets.

Moderator

FIRST FROM RIGHT

Steven van Weede

Managing Director, Enclude

Panellists

FROM LEFT TO RIGHT

Drew von Glahn

Executive Director,
Collaborative for Frontier Finance

John Fairhurst

Head of Private Sector Engagement,
The Global Fund

Esther Pan Sloan

Head of Partnerships, Policy & Communications,
UN Capital Development Fund

Andrew Tillery

Chief Executive, Palladium Impact Fund

INTERVIEW | Mastercard Center for Inclusive Growth

The Mastercard Center for Inclusive Growth advances sustainable and equitable economic growth and financial inclusion around the world. Attendees heard from Founder and President Shamina Singh about the importance of connecting small scale and start-up entrepreneurs to markets, know-how and capital, and the lessons that we can apply to our own development and inclusive growth programs.

Moderator

Stephanie Mehta

Editor-in-Chief, Fast Company

About Shamina Singh

For more than 20 years, Shamina has been on the frontlines of developing and implementing solutions to make the global economy work for everyone, everywhere. She is the Founder and President of the Mastercard Center for Inclusive Growth, the philanthropic hub of Mastercard. She also serves as Executive Vice President of Corporate Sustainability.

Since 2014, Shamina has led the Center with a remit to leverage Mastercard's data, technology, capital and expertise for social impact. In her

role as EVP for Sustainability, she is responsible for the development and implementation of the environmental, social and governance strategy across the company as well as integrating the Sustainable Development Goals into Mastercard's core objectives.

In 2018, Mastercard pledged \$500 million to advance inclusive growth around the world. Shamina is charged with activating those philanthropic dollars through the newly-created, non-profit Mastercard Impact Fund.

Deeply committed to public service, Shamina has held senior positions in the White House and the U.S. House of Representatives. In 2015, Shamina was appointed by President Obama and confirmed by the U.S. Senate to a six-year term on the Board of the Corporation for National and Community Service. She is a graduate of the Presidential Leadership Fellows program, an alum of the Young Global Leaders program of the World Economic Forum, and a Henry Crown Fellow with the Aspen Institute.



“If you want to make real change as a policymaker, learn how money moves. Women need to understand this more than anyone.”

Shamina Singh

President,
Mastercard Center for Inclusive Growth



PANEL | Governance in the Execution of Inclusive Growth Strategies



How can every participant in an inclusive ecosystem be aligned on their objectives and the execution of their inclusive growth strategy? How can all stakeholders feel confident that they are getting the expected results and the information they need to make decisions? Moderated by Harvard Professor and co-creator of the Balanced Scorecard Dr. Robert S. Kaplan, this session explored the governance models and tools that can be used to implement ecosystem strategies.

Takeaways

- Panellists agreed that governance was critical as a way of building confidence and trust, as well as facilitating strategy execution.
- B Corp offers a way for companies in a growing number of jurisdictions to look beyond the financial returns to shareholders as their primary responsibility, and also consider the perspectives of other stakeholders such as employees, communities and suppliers. The intentionality of B Corp certification also drives companies towards governance, operations and products that align sustainability and financial goals, as suggested by Dr. George Serafeim in his keynote.
- Hannah Schiff presented the perspective of the impact investor and the importance of measurement as a way of screening and assessing investments, while Deepa Prahalad presented the perspective of the poor and their desire for products and services that provide real value for them, and not just the supplier.
- Dr. Kaplan proposed using Balanced Scorecard to facilitate the co-creation and execution of system transforming strategies, by aligning outcomes and helping each actor to understand their role and assess results in the change process.

What needs further discussion?

While all agreed that the process of co-creation and consideration of different perspectives is as (or more) important than the resulting document, how this works in practice is still a work in progress.

Moderator

FIRST FROM RIGHT

Dr. Robert S. Kaplan

Senior Fellow, Harvard Business School

Panellists

FROM LEFT TO RIGHT

Hannah Schiff

Director of Impact, Responsible Investing,
Nuveen

Deepa Prahalad

Design Strategist

Holly Ensign-Barstow

Stakeholder Governance Manager, B Lab

CASE STUDY | Touton

Touton is a leader in the agro-industrial space, building on 150 years of experience to pioneer inclusive programs that meet the needs of stakeholders across an entire supply chain. In this short video followed by Q&A, we explored the realities of aligning stakeholders in a new or existing ecosystem.

Takeaways

- Touton has evolved significantly from a traditional trader to more of a supply chain manager that delivers a better quality and more traceable product (i.e., deforestation and child labor-free) to its customers by delivering a range of services to upgrade its suppliers.
- One of Touton's innovations has been a landscape management approach involving the community and government in protecting forest areas and nature reserves.
- Touton has invested heavily in Village Service Centers and changing its business model, but realises it can't be successful without collaboration.

What needs further discussion?

How can we bring financing into the system, especially for small farmers, in an ecosystem where the government is interventionist?

Joseph Larrose

Group Director for Sustainability, Touton



What if you
could de-risk
investments
that align profit
and purpose?

Impact at Scale
Palladium Positive Impact Summit 2019

OPEN FORUM | **What's Your Challenge?**

Attendees spent the day listening, networking, and asking questions; next we gave everyone the opportunity to take the stage. In a pre-Summit survey, we asked delegates to tell us about a challenge they're facing when attempting to scale the impact of their projects, and addressed these challenges head on.

Palladium's Christina Shim and Eduardo Tugendhat laid out a framework for positive impact to help organisations move beyond traditional approaches to sustainability and toward true inclusive growth.

Attendees took part in a live poll, and then discussed the top three sticking points that impede their organisations the most when structuring and implementing inclusive growth strategies.

Takeaways

- The private sector is key to the success of building ecosystems; success cannot be achieved without their inputs and commitment.
- CSR / philanthropy funding may be useful to support in seeding pilots, but they will always struggle to scale. Real financing is required along with direct market linkages.
- Major challenges identified by the attendees included measurement of impact, data sharing with broader stakeholders, financing options / availability, and increasing visibility into the business ecosystem.

Moderators

Christina Shim

Regional Director, Palladium

Eduardo Tugendhat

Director of Thought Leadership, Palladium

What needs further discussion?

How can organisations tactically implement sustainability strategies without putting day-to-day operations at risk? How can we help executives understand that this is an investment and not a cost to the business?

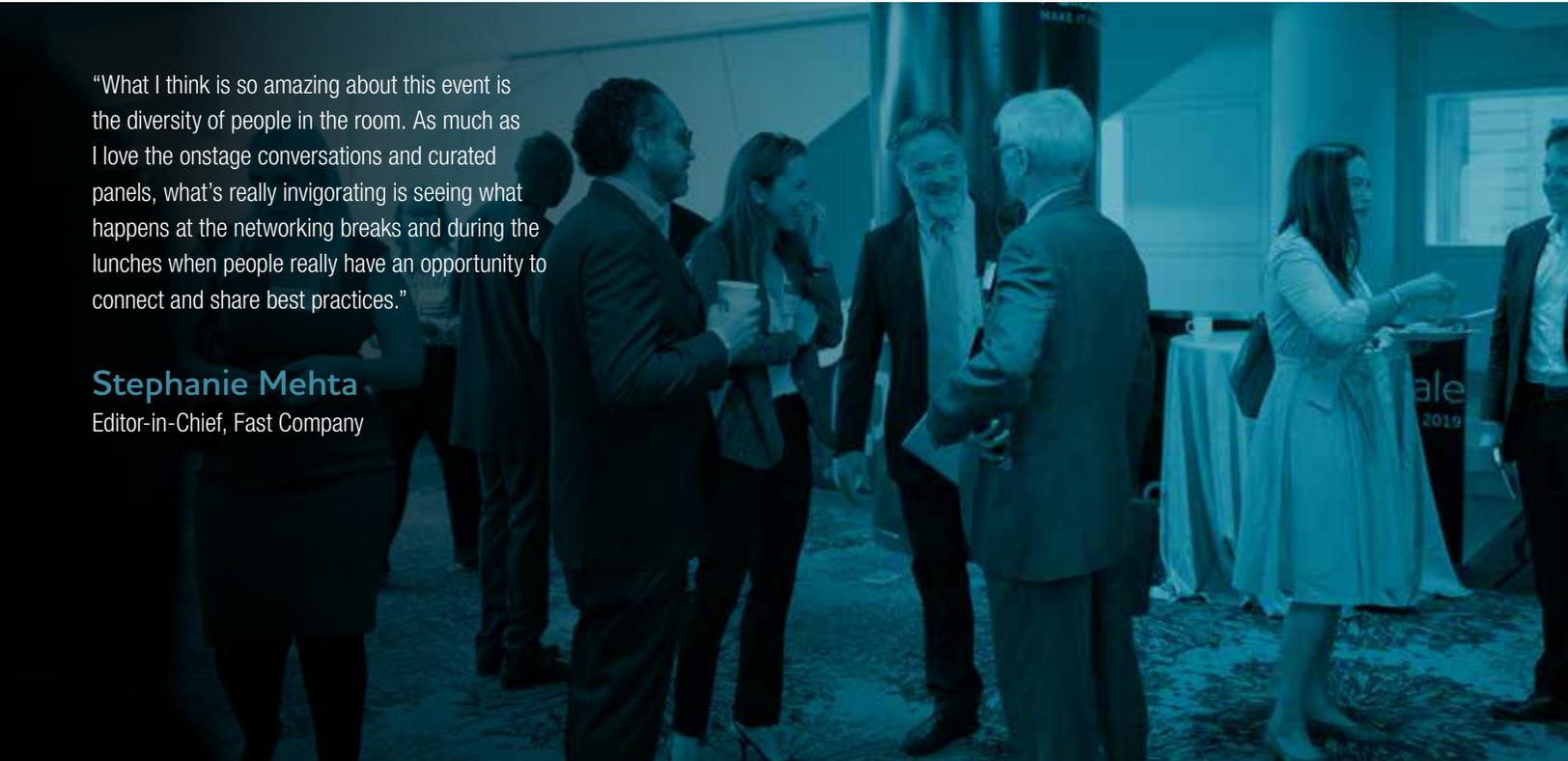


Networking Reception

We ended the day with a reception at our venue, The Westin New York at Times Square, sharing our experiences, and meeting new colleagues and friends.

“What I think is so amazing about this event is the diversity of people in the room. As much as I love the onstage conversations and curated panels, what’s really invigorating is seeing what happens at the networking breaks and during the lunches when people really have an opportunity to connect and share best practices.”

Stephanie Mehta
Editor-in-Chief, Fast Company



“Today was great. I thought some of the panels were fascinating. You realise there’s a whole lot of people in this fight with you, and that is a really powerful thing to know – that there are many people who want to make the same sort of change as you do, and maybe in different sectors and that’s fantastic. You also get to learn from other people’s experiences about how change happens. It’s not a simple, straightforward, linear thing – it’s messy and complicated and everyone’s fighting to make it happen, and that’s important to hear. There’s a lot to learn from.”

John Fairhurst
Head of Private Sector Engagement,
The Global Fund





“Events like this bring diversity of thought and diversity of experience. I’m here talking about an airport with somebody who’s saving babies’ lives in Nigeria. The question really is, what is common in what we’re trying to do? How are we taking the best practice from what we’re doing and learning from each other? I think there’s no end to that opportunity.”

Christina Cassotis
CEO, Allegheny County Airport Authority



“I think the tremendous amount of people who showed up here today gives me incredible optimism. I had the opportunity to talk to some of the industry leaders who provide assistance in some of the key areas we’re focused on, and having a dialogue is important to create the kind of scale we’re talking about.”

Alonzo Fulgham
Board Member, Palladium



What if local solutions could be scaled globally?

Impact at Scale

Palladium Positive Impact Summit 2019

Day 2

This year's Summit was a 1-day event, but we organized a morning of additional workshops and roundtables for small groups the next day. All delegates were invited to choose the session of their choice, while some were also opened up to other guests by invitation only.



WORKSHOP | Implementing Inclusive Growth Strategies

Harvard's Dr. Robert S. Kaplan, co-creator of the Balanced Scorecard, led a private workshop on the challenges of implementing inclusive growth strategies and the business tools that can be applied to ecosystem thinking. Dr. Kaplan used two case studies to guide a discussion on how organisations can get past ideation, financing, and governance challenges in structuring and implementing their strategies.

Moderator

Dr. Robert S. Kaplan

Senior Fellow, Harvard Business School

Takeaways

- Opportunities for growth and collaboration are uncovered by understanding comprehensive value chains and how stakeholders interact with one other over the long term.
- Stakeholders in the value chain are too often short-sighted and focused on the immediate transactional relationship, rather than the long-term shared value and goals that exist throughout the value chain.
- Without the role of a catalyst or facilitator, many of these groups would not engage with each other in a formal coalition. The lack of trust endemic in transactional relationships prevents stakeholders from understanding synergies: suppliers feel that aggregators and “middlemen” are their inherent enemies, stealing from their production to line their pockets, while not understanding the part and value played by every actor in the system.



“The first step is ideation. You must imagine your desired ecosystem.”

Dr. Robert S. Kaplan

Senior Fellow, Harvard Business School





The most forward-thinking organisations are moving beyond CSR and philanthropy, and linking social impact directly to their business results. Not only does this improve a company's bottom line and create financial returns for investors, it can also deepen relationships with consumers and employees, both of whom expect more from companies than ever before.

The implications for communicators are significant. The market is full of “green washing”, while brand activism, social enterprise, and promises of transparency muddy the waters for stakeholders who can't tell who to trust. This roundtable explored what it means to communicate responsibly in a way that inspires confidence and sets your organisation apart.

Takeaways

- Storytelling has been a buzzword in communication circles for a while now, and for good reason, but in an age of green washing and fake news, audiences are increasingly looking for proof. Tell your stories in a way that's human and compelling, but realize you first have to earn your audience's trust.
- Social media isn't a silver bullet, and it simultaneously connects and disconnects our audiences. Sometimes we have to go back to basics to cut through the noise, including through physical and even in-person communications.
- Inclusive growth strategies involve linking social impact with business results, but audiences may not be as opposed as initially thought to the idea of companies increasing their bottom line while doing good. If anything, the recognition that corporations have “skin in the game” as part of their membership in a wider ecosystem may be welcome.

Moderator

Elizabeth Godo

Director of Communications, Palladium



This 2-hour roundtable brought together experts and those considering using Development Impact Bonds (DIBs) to deliver positive impact at scale. Palladium's Roland Pearson led a discussion on how to make DIBs more efficient as a critical path to scaling both the instrument, and its outcomes.

Moderator

Roland Pearson

Director of Economic Growth, Palladium

Takeaways

- DIBs are an instrument, not a solution. As such, they need to be properly aligned with the right contexts.
- The complexity of DIBs lies not in their financial structure (i.e., they are basically a debt instrument), but rather in defining the interventions that will lead to the desired outcomes, agreeing on how those outcomes will be measured, and aligning the interests of the multiple parties engaged. This is especially true for Investors and Outcome Payers.
- DIBs need to be seen as a steppingstone to longer term and sustainable financial, operational, and developmental achievements, beyond whatever they might accomplish in their limited project life.



What if your
social impact
was linked to
your business
results?

Impact at Scale
Palladium Positive Impact Summit 2019

Navigating the Last Mile to Inclusive and Sustainable Growth

By

Eduardo Tugendhat

Director of Thought Leadership, Palladium

Published In

ImpactAlpha

The dirty secret across impact investing, corporate social responsibility and sustainability is that most pilot programs, borne out of good intentions, fail to ever become a self-sustaining force.

Considerable hype and promotion often accompany these projects and usually succeed in creating awareness upon launch. But when the plug is pulled, or when funding runs out, it occurs with little fanfare or enduring results.

Consider Chipotle's initiative to position its brand against the "industrialized" agricultural complex. In 2014, the fast-casual restaurant chain went on a media blitz to promote its web series, *Farmed and Dangerous*. The campaign initially put Chipotle in the vanguard of the "clean food" movement. Its management was roundly celebrated for using locally sourced, non-GMO ingredients. But the campaign quickly backfired following a succession of e-coli outbreaks that invited scrutiny into the company's supply chain.

Chipotle is not alone in seeing its sustainability efforts either stall or misfire altogether. But the breakdown – by virtue of overlooking the intricacies throughout the larger system – underscores one of the biggest obstacles for any enterprise trying to effect positive social change. In this era in which even the bad actors will try to benefit from a socially responsible halo, those committed to a cause can be distinguished by their willingness to collaborate with participants across their value chain to create lasting systemic change. This often requires a catalyzing partner who can map out where their

efforts will be most effective and align their goals with those of their stakeholders.

To understand why such a catalyst is so vital, it helps to recognize the disparate roles of those pursuing social change and their inherent limitations. To generalize, most corporate social responsibility, or CSR, programs focus on social and environmental outputs. The aim may be to help as many people as possible, but the organization is often detached from resulting complications. The programs can also struggle to scale when related initiatives fail to attract the commitment of the core business.

Government agencies and grant-makers have a similar top-down focus. The nature of their financing is generally structured to fill temporary funding needs versus "bootstrapping" commercially viable, self-sustaining enterprises.

The perspectives of impact investors can sometimes be the toughest to pin down. Some approach their commitments with an obvious philanthropic bent, whereas others view "market-rate" returns as obligatory. Across this spectrum, all impact investors remain challenged by a limited pipeline of opportunities.

The role of the catalyst is not only to understand the system and the specific aptitudes of the different actors, but to provide the connective tissue that brings these constituencies together around shared objectives and measurable outcomes.

To cite a hypothetical example, a corporate strategy focused on the company's supply

chain may begin with an objective to help X number of smallholder farmers increase yields and provide a pathway out of poverty. This top-down approach creates an aspirational goal, quantifies the desired impact, and (if achieved) benefits the companies bottom line while moving the needle on a social challenge.

What is overlooked are the knock-on effects that can sometimes be more harmful than the identified cause for which they're trying to solve. If a market doesn't exist for the increased yield, for instance, the farmers may be worse off when prices plummet from higher productivity. Moreover, what is the environmental impact? Do the measures taken to support biodiversity minimize soil degradation? These factors, if not addressed, could create more pronounced, longer-term challenges.

What's often conspicuously absent in these independent efforts, is an appreciation for the larger system and the possible links between all of the constituencies involved.

Catalyst in Action

Most industries across both developed and emerging markets have changed dramatically over the past decade. This is due to several factors, but most prominently technological advances, population growth, climate change and shifting global power structures. In food systems, these and other pressures have made the existing framework obsolete.

Nobody is satisfied. Farmers struggle to earn a living wage. In the U.S., amid an

economic boom, over 40 million Americans remain food insecure. Supply chains – as Chipotle’s woes established – are woefully inadequate. The scope of the issues is more than any one company, government, or investor can solve on their own.

The Peru Cacao Alliance provides a case study of what’s possible when different stakeholders, aligned behind a shared vision, take a bottom-up approach to rethink the larger system. The Alliance is a USAID-supported public-private partnership created in 2012 to promote fine-flavor cacao cultivation in the Peruvian Amazon. But it wasn’t focused solely on helping farmers expand their productivity. The program solicited cooperation across the supply chain to facilitate transparency and traceability. It channeled funding to new technology and bio-diverse “growing” models to ensure farmers could maximize available land while meeting international standards with regard to quality and supply. And the Alliance helped identify a market opportunity through emphasizing the production of more specialized (and lucrative) varieties of cacao.

Most importantly, the farmers themselves aren’t merely passive beneficiaries on the receiving end of fleeting social largesse. They’re full-fledged business partners. They were called on to articulate the nuanced challenges they face, outline distinct areas of need, and enlist peers so the program could reach critical mass.

Palladium, serving as the catalyst and recognizing the machinations of the larger system, was able to mobilize over 30 different Alliance partners across the

local, regional and international markets, in the both the private and public sectors. Collectively, through synthesizing the disparate perspectives, the Alliance was able rethink altogether how the system could accommodate each constituency based on current needs and long-term considerations.

If the effort only focused on the number of farmers receiving help, it would have failed. The success factor was Palladium’s role in identifying the overlapping objectives across the value chain – from the producer cooperatives and technology companies to the U.S. and Peruvian national governments as well as local and regional agencies. Public-sector contributors still get their callout in the 18,000 farming families who have benefitted or the \$90 million raised. The real story, though, is the market-led transformation to create a more inclusive and profitable system. Peru went from being a marginal producer and niche player to becoming the No. 2 producer of fine-flavor cacao in the world.

A catalyst doesn’t have to be a third-party consultant. It can be an in-house strategy team with access to adequate resources. It can be an NGO whose specified mission is to create self-sustaining commercial solutions. It can even be a grant-making institution or impact investor that offers matching or “challenge” funds to incentivize and help orchestrate participation. Harvard Professor George Serafeim, suggests that the investor community, in particular, is uniquely positioned as “stewards of the commons” to encourage “pre-competitive” collaborations and instill stability in these partnerships.

It can even be a company, armed with lessons from past mistakes, committed to doing better. It’s worth noting that since its initial missteps, for instance, Chipotle has emerged as a role model in the restaurant space thanks to its approach to reforming its supply-chain. The company began by mapping out the entire ecosystem for each ingredient on its menu, and now requires every supplier to provide the geographical origin of their raw materials and offer environmental metrics such as water usage, energy usage and employee welfare. Often, sustainability efforts can be an iterative process to truly innovate.

The key is that the catalyst can build trust, spark innovation, outline and implement a proof of concept, and then actively structure and raise funds to ensure the initiative takes root. This requires a holistic point of view that appreciates the larger systemic issues and the actors involved, as well as the “unknown” unknowns.

It’s the catalyst who will facilitate the collaboration required to see that good intentions translate into the common good.



Why Only 2% of Sustainability Programs Succeed

One-off projects and public relations initiatives are almost guaranteed to fail. The key to success lies in linking your impact to the bottom line.

Society is demanding more from corporations and chief executives than ever before. The new standard for success includes more than financial performance; companies must have a positive impact on the world.

And yet only 2 per cent of corporate sustainability programmes achieve their goals, according to consultancy Bain. It's a figure to make you rub your eyes in disbelief.

Even the most high-profile schemes have struggled. The CocoaAction alliance of the world's leading chocolate companies generated flattering headlines when it was launched, intending to improve the livelihoods of 20 per cent of cocoa farming families. But so far there's no hard evidence the alliance is helping households escape poverty.

Companies from Walmart to Disney and Target have made public commitments to sustainability, only to find themselves ill-equipped to deliver. This is the norm, not the exception.

So, what's going wrong? Researchers at Palladium, a global impact firm working in 90 countries across the public and private sectors, interviewed 30 chief sustainability officers to find out. The reasons cited for underperformance included poor integration with the company's core business and the difficulty of engaging with key stakeholders in local communities.

But analysis pointed to something much deeper: a lack of ambition. Companies are simply not thinking big enough.

Christopher Hirst, chief executive of Palladium, explains: "A new school may be needed in an impoverished community and look great in a corporate social responsibility report," he says. "But it's not enough to pull smallholder farmers out of poverty or improve your supply chain in a material way. The drivers of inequality are complex and local context is crucial. Bolt-on initiatives and one-off contributions barely nudge the needle."

When organisations think big, they can deliver fantastic results. Here's an inspiring example. Peru has many small and struggling cocoa farmers, many of whom are ageing while younger Peruvians aren't keen to join the sector. The Peru Cacao Alliance was founded in 2012 to reimagine the whole system. Funding was provided by USAID alongside private sector investors, and Palladium shaped the strategy and execution, recruiting more than 30 partners across the industry. The alliance educated farmers to improve land management and yield, addressed the supply chain, scrutinised markets and contracts, and introduced new technologies.

The results? "The size of the average farm in Peru has tripled," reports Mr Hirst. "Yield has doubled. Farmers are moving out of poverty. The younger generation is getting involved. Peru rose from the tenth largest speciality producer of cacao in the world to the second. It's seen as a model programme for nurturing smallholders in emerging markets."

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This linking of corporate sustainability goals with commercial goals is key and another factor unearthed by Palladium's research. Social impact can't be pursued just for public relations and it can't be a cost centre. These initiatives have to contribute to the company's core strategy, business processes and ultimately the bottom line or risk joining the 98 per cent that fail.

"With the right approach, companies can see greater business results through social impact," says Mr Hirst. "In London, we've connected social entrepreneurs with the capital they need to succeed. In Uganda, we helped one of the world's most active micro-lenders establish itself as a bank. We're helping an Indian province to fund healthcare for mothers with results-based return on investment for investors. In each case, the financial results go together with social impact, ensuring the long-term prosperity of the projects and the sustainability of the organisations involved."

Naturally, many companies will need help adapting to these principles. Mr Hirst suggests companies work with an established partner that can bring experience, local knowledge, governance frameworks and the ability to execute on a bold strategy to ensure success.

"We believe a better world is possible for everyone and that the starting point is an understanding of how everything is interconnected. No one can progress unilaterally," he says.

"If your company shares this view and wants to make a real impact, we should work together. By thinking big, there's no limit to what we can achieve." 

What if we
were all facing
the same
challenges?

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About Palladium

Palladium is a global impact firm, working at the intersection of social impact and commercial growth. For over 50 years, we've been helping our clients to see the world as interconnected – by formulating strategies, building partnerships, and implementing programs that have a lasting social and financial impact. We simply call this “positive impact”.

We work with corporations, governments, investors, communities, and civil society. With a global network operating in over 90 countries, Palladium is in the business of making the world a better place.

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