

Raising the Bar Sydney 2018

Ranjit Voola – Profit with purpose

Welcome to the podcast series of Raising the Bar Sydney. Raising the Bar in 2018 saw 20 University of Sydney academics take their research out of the lecture theatre and into bars across Sydney, all in one night. In this podcast, you'll hear Ranjit Voola's talk, profit with purpose. Enjoy the talk.

[Applause]

Thank you very much for coming. I'm actually very excited to be here because I passionately believe that something needs to change. And I'll tell you what needs to change.

I would like to start with a small story, personal story. So, my parents were missionary doctors, Christian missionary doctors, in India. My mother was a gynaecologist and my father is a surgeon. So, they were so busy in India treating poor patients that I don't think I ever had any concept of vacation. I mean, I was asking my father the other day, 'Do you remember? Did you ever take me on any vacations?' And they were so, so busy that they actually put me in a boarding school about 1,000 kilometres away. And when you're seven years old, it's like around the world.

And then, but one thing I kind of remember from those, you know, year five, six, seven, eight, was that they were essentially working about 20 hours out of 24 hours. But the harder they worked, the more people, poor people, there were, the more unhealthy, poor people there were. And I was like 'What is happening?' Obviously, when I was that young, I didn't really understand why they were working so hard and why they had to keep on working harder and the harder they worked, the more sick people there were.

Fast forward about two or three decades, and I'm at a lecture at the University of Sydney trying to look at how businesses engage with poverty alienation, looking at case studies and that kind of stuff. Then, after about three decades, a hard moment came. That was, we are fighting poverty and other social issues with one hand tied behind our back. So, I think that's a really important concept to think about. And, so don't get me wrong here. I think that [inaudible], nonprofits, and more recently, social enterprises are at the forefront. But what happened to the big businesses? Why aren't they involved in poverty remission? And I'm going to say a very controversial statement here now. So, most people think of businesses as the cause of problems.

Well, I'm here standing in front of you to tell you that it can be a solution to a problem, alright? And I know some of you guys are thinking 'Hang on, Ranjit' Especially Ryan. 'That can't be. How can that be? Isn't big business the problem of, you know, the cause of all problems?' And if you look at the Rana Plaza, if you remember about five years ago, there was a plaza in Bangladesh. Any of you guys remember that? And it fell. It collapsed. And about 1,000 people died. And who are these people? These were employees working for companies such as Zara and Mango. And the day before it collapsed, there was actually structural damage. But of course, because of economic pressures, they suggest work. And so, 1,000 people died. And even more close to home for example. Do you remember what the banking commissioner said about the banking system? What did he say?

Essentially what he said was, because of greed and short termism, there's dishonesty. Okay, and another amazing figure is that 42 people earn as much as 3.7 billion. So, inequality is growing bigger and bigger.

So, why am I saying that? I'm saying that because I'm acknowledging the fact that if we do it the way we're doing it, we're basically going to split the world, okay? So, and we need to rethink and unlearn what the purpose of business is. So, in 1970, for those of you who are economists here, very famous economist by the name of Freedman, he basically said that the corporate social responsibility of business is to make profits. Do you guys agree with that? [laughs] Who agrees? Shoot him [laughs]. Just kidding. So obviously in the last three to four decades, that's changing a little bit. There is like a perfect storm, right? Businesses actually don't have a choice I don't think, in the next five to 10 years. Big businesses I'm talking about. Because of the lack of trust and [inaudible] lack of trust. Because consumers demand companies do good and employees want meaningful work. So, I'll go through each of them a little bit later. But one thing that I found in my research that was really important in those companies actually did really well in this – do you know how many people live in the world? Yeah, about 7.2, 7.5, somewhere in there. And how many of those, do you reckon, earn less than \$5 a day?

[Inaudible Answer]

About 4 billion, okay? Three to 4 billion earn less than \$5 a day. Now the big question here is, you know, why do we focus on the 3 billion who have the money? You know, if you read the textbooks, if you do business, we're talking about the people with the money. It's obvious you have the money.

What happened to these 4 billion people? The big question is, are they all charity cases, right? And I don't think so, right? They are human beings like us. They want entertainment, they want to send their kids to school. And, you know, they want to have their mobile phones, that kind of stuff. So, how do we do business at what we call the base of the pyramid for that 4 billion people who earn less than \$5 a day? Well, the normal business model is low volume and high margins, essentially. So, get more people from one person – I'm sorry – get more money from each person. That's how a normal business strategy happens. If you want to do really well in the base of the pyramid, you have to fundamentally change that to high volume and low margins. Many people get very little from each person, okay? So, when I was doing research in this kind of space, one thing that really struck me was those companies that did really well at the base of the pyramid, people earning less than sometimes 2.5 dollars a day, had one thing in common. And that was that they would change the problem into an opportunity. They could reimagine a problem into an opportunity.

So now, I'll probably just tell a personal story. So, in March, my kidneys failed. So, I have this pipe that goes here that goes in remission at night at 8:30, so I might be late tonight. And it finishes after 10 hours. So, in the morning, so it's about 10 hours. And eight litres goes in and out the whole night. Now, I have three choices, right? I can think 'Oh, my God, I'm going to die', right, and live to basically die. The second option I have is, 'You know what? I'm going to be reactive. I'm going to listen to my great doctor. I'm just going to take the tablets and live to exist'. The third option is, 'You know what? I'm going to change this problem into an opportunity'. So, how can you change a problem where – I actually calculated this for this talk. So, I've been on the machine for 2,100 hours from March. So, it's a two metre long wire. So, the way I've tried to change this problem into opportunity was that – are there any academics here? So, some of you are academics. Sorry, I'm not looking there but I'm just looking here. It's too far away. So, for those academics, you know our key performance indicator is journals, right? Publishing of journals. So, as soon as my kidneys conked, I thought, 'Okay, I'm going to focus on publications'.

So, in the 13 years I've been at the University of Sydney, as soon as my kidneys conked, this year is my best year for publications. But much more importantly is the fact that I have two daughters. One is 10 and one is two. And it's a great opportunity I think to be able to role model to these two young girls how to live life when you're basically faced with a life threatening solution. So, every night at around 7:30, my little one, Lela, her highlight of the day apart from a hug from her mother in the morning, is that she comes running with her diapers. And she actually carries 2.5 litres of liquid to my room. And I wanted to make it fun. It's like all of life, don't freak out. You know, I'm still alive.

So, I think the key here is to change a problem into an opportunity. Now think about that, right? That's the key. Now how have companies done that and made money, right? That's the key here. So, how many of you – please listen carefully, alright? How many of you do not have bank accounts? All of you have bank accounts? How many people in the world, do you think, do not have bank accounts? Close to 2.5 billion. Now what's the problem with people with no banks? If you don't have a bank account, where are you going to save the money? How are you going to do financial interesting? How do you learn about credits and that kind of stuff? Right, so this company Waterphone and Safaricom in Kenya, they actually came up with a product M-PESA that actually put bank in the pocket. How do you think they did that? Mobile phones, right? So, they subscribe, they go to the agents that are everywhere and they can transfer money and that kind of stuff. So, there was a clear elevation of poverty, right? And there was also, because of this ability to be able to transfer money, people were actually moving away from sustenance farming to actually other kinds of businesses. And guess how much they made year ending March? From the poor people, 2.5 – about 450 million dollars of profit. And at the same time, alleviated the poverty through research.

But I would also like you to – I don't know if you can but – place yourself in place of this poor woman or poor man living in Kenya in a poor village. Remember that they're daily labourers, unlike us. If they don't work on that day, they don't get their \$2. If they don't get their \$2, they can't feed their children, right? So, it's about a one day bus ride to the bank in Nairobi. So, this poor farmer or whoever goes to the bank, imagine. And guess what happens when he or she goes to the bank?

Okay, if they come too late, yeah [laughs]. But maybe they can't read the forms, right? Because they are illiterate. Or maybe the manger asks for a bribe and says, 'You know what? You don't have the money, or you can't do it. Go back and come back'. Now, what's the problem there? They lose another three days. They have to go all the way back, okay? My thing is falling off, sorry. The other one, major one, that has got a lot of thinking, I guess, is menstruation, or periods. I should get this right, one second. [laughs] No, I meant the numbers.

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So, in India, there are 335 million women who undergo menstruation. And a staggering 290 million do not have access to sanitary pads. And the major reason for that is unaffordability. It's just not affordable. The ones they actually give, provide in the market are just unaffordable, right? So, and apart from that, you know, some amazing stories I've read where women, because of I don't know, culture, lack of awareness, actually use ash or wood shavings or rags for sanitation purposes. And they don't want to basically dry their rags outside. Anybody can guess why they don't want to dry their rags from menstruation outside. Because they don't want other people to see. So, dignity, right?

So, they are major issues. So apparently 70% of reproductive health problems are because of this issue. And about 23% of women who actually start menstruation, stop school, okay? And those who actually go to school, they miss about 50 days. Because every time they have menstruation, guess what? They don't want to go to school because they don't want to go, you know, without proper sanitation. So, what's the solution? That's a problem, right? What's the

opportunity here? The opportunity here is to come up with products that are much cheaper. So, one company actually came up with a product made of banana fibre. Much cheaper. So, there was two income sources. One to the banana farmers, and the other one, obviously, to the much cheaper sanitary pads. Anybody seen 'Pad Man', the Bollywood movie? So, there's a real life story where this guy actually – he was so keen to come up with this very cheap sanitary pads and he tried it on himself. So, he used to get animals blood and do cycling or whatever, cooking and see how it works. So, he actually came with a mission and does it. And now he actually exposes it. The third problem into opportunity that I would like to highlight is, at the base of the pyramid are the 4 million people who earn less than \$5 a day. The hardest part is actually getting to the customer because there's no infrastructure. How do you go? I mean, roads and internet and that kind of postal system.

So, did you know that about 2 billion people in the world do not have access to medical stuff like blood and vaccinations? Anybody can guess what one company came up with to actually overcome this tyranny of distance or tyranny of lack of infrastructure. Absolutely. So, they actually came up – that wasn't planted, alright? So, this company called Zipline actually came up with a drone system. So, when they make the phone call, it takes about 30 minutes to get there. So, it has put about 12 million Rwandan people, you know, about 30 minutes from – and the other major issue with blood is that it expires. So that was a major problem. So those are the three ways, you know, examples of how a problem can be changed to an opportunity. Okay, so I talked about economic opportunity. Now, anybody aware of the sustainable development goals? A few of you? Okay, so I was at the United Nations in New York in 2016. So, in 2015, they actually came up with this big framework with 17 goals. So, for example, things like ending poverty, ending hunger, gender inequality, climate change. And by 2030, they want to solve it.

So, I was there for two days, and during that time, the general secretary of the U.N. was Ban Ki-moon. There was presidents, prime ministers, and I was there too [laughs]. I don't know what I was doing there but I was there. But the most important theme that came about in two days from my understanding was that it costs, one year, it costs 6 trillion dollars to actually fulfil the SDGs. Now just to give a comparison, what was the GDP of Australia last year? About 1.2. So, 6 trillion dollars we need. Now, where's the money going to come from? So, basically if you really think about it, right, who makes the money, right? The companies make profit by solving a need. So, people like us work in these companies where we earn lots of money and we give to the nonprofits and we pay higher taxes to the government. So basically, without the business sector, it's not going to happen essentially. And employees too expect that there's meaningful work.

So, I teach this course called Poverty Alleviation and Profitability at University City masters business students. And we had the honour of having the CEO of Quantico and Alta basically come and talk to us. In one example basically blew me away. He was saying that, you know, he had invited these people who had worked for 25 years for Quantico and Alta for lunch. and at the end of the lunch, one employee stood up and said, 'Can I say something?' and he said 'Yeah, go ahead.' And he said 'After 25 years, I'm actually proud to work for Quantico and Alta. Previously, I'd just do my 9 to 5 job, go home and take off my uniform and that's it. But now I'm an advocate'. And I could not believe the reason for that. The reason for that apparently is that Quantico and Alta actually does some amazing work about sexual slavery in Cambodia. And because of that – it's a printing company, right? – Quantico and Alta Printing Company. But this person didn't get joy from printing. He got joy and higher purpose from the fact that he is trying to help sexual slavery in Cambodia.

Another example is, the course that I teach is elite. And what I mean by that is they actually go and work for the big consulting firms or Union League, that kind of stuff. But one of my students, Mike, taking my course, he's actually in Uganda at the moment. And he is working for

a company called Balloon Adventures, which tries to help poor people get over poverty by doing business. So, what I'm trying to say is, employees increasingly, students increasingly are demanding to work for a company that has meaning. And money, for some people, has meaning but in order to have this, it's not having any meaning. So, it's basically a perfect storm, right? Companies can either be kicking and screaming. In the next 5 to 10 years, they basically have to do this kind of stuff even if they want to take a box. But of course, there are many challenges, right? This is more from my research. The biggest challenges I think for business people actually doing business at the base of the pyramid, the 4 million people earning less than \$5 per day and is to actually understand what poverty is. What is the definition of poverty, right? So, all of us think that poverty is income, which is right. But it's actually much more multi-dimensional than that.

Okay, so for example, I was interviewing this woman. She was probably earning less than 60 cents a day. Through micro finance, she was a good entrepreneur. Then she had to go home and basically the husband beat her up and took the money. Now the question here is, is she poor or is she rich? She is rich income wise but poor freedom wise. She cannot be who she wants to be. So is really important that if business people try to alleviate poverty and they go with the mindset that is all about income, you might actually do more harm. So, it's really important to look at poverty as multidimensional. The second learning that I had was who is the expert, right? So, when I first started doing research there – I'm sure a lot of business people who go there will think the same – it's like of course, you know, I started at the University of Sydney. I spend so much time talking about poverty and that kind of stuff. But actually, if you were to think about it, who are the experts in poverty? The poor are the experts in poverty. So, I think you need to unlearn your superiority complexes actually. And one of the key business strategies in the co-creation of value – how do you include the poor in creating the value? You just don't say 'Here is value, take it.'

And the big one is ethics. The question there is, are we romanticising the poor? Are we saying that the poor have the volition to choose the right products? So, for you and me, if we don't like this brand, what will we do? Buy a cheaper brand. For them, the choices are, you buy this brand, you don't feed your children. Okay, so those are the choices. I have a couple examples here. The first one is Skin lightening cream. So, in India, being white is beautiful, right? Now, they've actually targeted the poor woman. And they said 'You know what? Use this skin whitening cream. It will empower you and make you more confident. Okay, so now the question here is – so what if it's basically – can I use the word 'bullshit'? So, what if it's not true but the poor woman is actually empowered by it? So, in other words, who are you to tell them what to do with their life? So that's one attitude. The other is, you know, we should do something because they don't know any better. So that dilemma in ethics is there. And the last one is the fact that – you know, the fact that – just hold it. Okay, the last one is basically, you know, one of the things I've learnt is that, as business people, we think with our minds, right? Which is great. The long-term investment and all this fancy financial is absolutely imperative.

But actually, if you really think about it ending poverty, general inequality, climate change, all these are pretty sad issues. People are suffering, right? So, what I would suggest is to be able to be ambidextrous and to be able to link your mind with your heart, right? So, don't just go with 'I know everything about money and investments and I'm just going to go help the poor people'. You probably will harm them. You know, so the way to do it is, what gives you emotional connexion, right? In my case, I have two daughters. Obviously, I want to talk about gender inequality. So, my research is focussed on that. So, ask yourself what motivates you. What charities do you give to? And how can you then extend that into a business opportunity? I think that will be much more powerful. So, some of you might be thinking 'Oh my gosh, this is talking as though the business is going to save the world'. I think it can if the right relearning of the business, the purpose of business can happen. And if you really look at it, you know, the big ideas in the world have come about because one person said, 'Why should it be the way

it is?', right? So, one man said, 'Why should we fight with swords and guns? Why can't we fight without fighting?' So, what did he do? When the British said don't make salt, – and if you know of India, India is full of oceans. You just go the ocean, make salt. He went to the ocean and made salt. And for that, he was gaoled. More recently, Malaga. What did she do? She stood back and asked the question 'Why can't girls' study?'

So, I think it's not enough anymore that single people, like maybe Susan Goodwin, you know, stand there and say we should change the world and turn business into it, okay? I think it's much more important these days to have a critical mass of people. So, in conclusion, I would like to say that we are fighting poverty, hunger, and all these social issues with one hand tied behind our backs. There is both economic as well as a moral imperative for companies to engage with it. The key characteristics of a company that can do well in going forward is somebody who can look at an obvious problem and change that to an obvious opportunity. And lastly, I would like to conclude by saying that those companies that can really reconcile purpose and profit are those companies that can answer this question – where does my passion meet the world's greatest needs and a profit? Thank you.

[Applause]

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