

# Meeting the skills gap: Lessons from the private sector

Best practices of WBCSD members in emerging markets



# Scaling up business solutions to meet the skills gap in emerging markets

Although global unemployment remains high, companies report growing difficulties in filling positions because of a lack of suitable candidates. Meanwhile, too many workers face poor working conditions and rely on subsistence-based incomes. Creating good and decent jobs for an appropriately qualified labor force will maintain social cohesion, promote prosperity and enable business development and innovation towards a more sustainable future.

The World Business Council for Sustainable Development (WBCSD) and the International Finance Corporation (IFC) have identified skills mismatches as one of the major constraints for the private sector to create more and better jobs. These are some of the numbers underpinning this reasoning: with over 45 million job seekers entering the labor force every year, their chances of finding a job will depend on acquiring the right skills. By 2020, it is estimated that there will be a global surplus of 90 to 95 million low-skilled workers and a global shortage of 83 to 85 million high- and mid-skilled workers.<sup>1</sup>

This situation is particularly delicate in emerging markets, where the private sector companies – which provide 9 out of 10 jobs – are faced with a triple challenge in a context of a fast growing economy: to rapidly find a large number of employees with the right set of skills, coupled with insufficient quality

and quantity of goods and services provided by their suppliers, and very often high rates of unemployment and informal jobs in the surrounding communities, particularly among youth.

To address this key challenge, some large companies operating in emerging markets have taken proactive steps and initiated training programs that empower not only their workforce, but also their suppliers, retailers, and the surrounding communities. This booklet presents these business solutions: five programs initiated and currently scaled up by ITC, SABMiller, and Vale, three WBCSD member companies with a significant presence in emerging markets.

The case studies depicted below demonstrate that companies, in collaboration with the public sector and educational institutions, can play a significant role

toward successfully increasing the skills and employability of thousands of people. Driven by a desire of scalability, the case studies reveal the positive impact of the training programs on the company, local society and economy at large.

The companies' skills initiatives are categorized into three areas:

**1. Workforce development** – Continuous training for employees is essential for any organization's productivity and ultimate growth. Workforce training leads to increased human capital and innovation while also simultaneously creating a motivated, better trained workforce.

**2. Value chain development** – Companies face the challenge of finding appropriate suppliers and distributors, most notably at the level of micro, small, and medium enterprises that are able to meet their requirements. It makes business sense for the company to help these entrepreneurs enhance their productivity and expand their business.

**3. Community development** – Programs targeting the community include vocational training to local youth, women and the unemployed, with the aim of increasing their employability in the job market.

What this initial set of case studies also makes clear is that greater effort is needed to collect and analyze data focused on the actual impact of investing in education, training, and skills development programs.

Further evidence is required to fully understand and articulate the positive impact of training and skills programs on job creation, and it takes time for the employment benefits to materialize in terms of sustainable socio-economic development. In order to quantify the value creation of these programs, and to ultimately strengthen the business case for addressing the skills gap, in a second phase of their collaboration IFC and the WBCSD will aim to gather information related to the costs, benefits, and overall value created through individual company initiatives.

The case studies depicted below, compiled on the basis of interviews with and background documentation provided by company representatives, demonstrate that companies, in collaboration with the public sector and educational institutions, can play a significant role toward successfully increasing the skills and employability of thousands of people. Driven by a desire of scalability, the case studies reveal the positive impact of the training programs on the company, local society and economy at large.

# The ITC Hospitality Management Institute



-  **Location:** India
-  **Sector:** Tourism
-  **Category:** Workforce development

## Summary

For ITC, hiring skilled hospitality managers is key to meet the growing demand in domestic and international tourism in India. To address the gap in the market for competent managers, ITC launched its own management institute.

## Key figure

# 60

managers graduating every year

## Company background

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ITC is a leading Indian multi-business conglomerate, established in 1910. Its portfolio of businesses spans fast moving consumer goods, hotels, paperboards and packaging, agribusiness and information

technology. The Company employs about 30,000 people in the country and its value chains provide livelihoods to around 6 million people, mainly amongst the poorest in rural India.

## The skills gap

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### Meeting the domestic and international growth demand with skilled manpower

With an annual average rate of growth of 13.9% in foreign exchange earnings from 2006 to 2009, the tourism sector has become a major driver of the Indian economy. The potential for additional growth is high, with the government anticipating the need for approximately 200,000 additional classified rooms by 2016 in the sector in order to meet the growing demand generated by domestic and international tourism.<sup>2</sup>

ITC benefits from this favorable dynamic through ITC Hotels, its division in the hospitality sector. Launched in 1975, ITC Hotels has become the second largest hotel chain in the country with 100 properties across India. However, ITC identified a gap in the market for professionally trained managers and staff in the hospitality business, as existing catering colleges failed to update their curricula to meet the needs of the changing market.

## ITC's solution

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### ITC Hospitality Management Institute

In 1976, the company established the ITC Hospitality Management Institute (HMI) now located in ITC's Green Centre in Manesar. This school is equipped with modern facilities and spans 28,000 sq.ft with hi-tech class rooms and auditoriums, taking care of all of the management training needs for ITC's hotel division.

The institute provides various types of training programs for Masters, Graduate & Under Graduate students. Its twelve specialized management training programs are aimed at creating dynamic hospitality professionals,

and provide training from one year to eighteen months in a variety of subjects including; hotel management, kitchen management, housekeeping, front office, food and beverage, sales and marketing, revenue management, finance and spa. On completing these courses, which are comprised of both theory and on the job exposure, young managers are ready to work within ITC's vast chain of hotels across India.

HMI also runs a program for young boys completing high school: the Welcome Legionnaire program. The course has over

2,000 applicants per year, but only selects 12 to 15 students, training them for 4 ½ years and preparing them to work in the hospitality industry. Over these 4 ½ years, the students, in addition to getting trained in hospitality also obtain an undergraduate degree from the Indra Gandhi National Open University Program. Transportation, medical coverage, uniforms and accommodation are all provided & financed by ITC. The program costs ITC approximately US\$ 1,000 per month to run (per student), and has been so successful that over 250 graduates from the program now work as managers with frontline executive positions in ITC Hotels across the country. A similar program, called WelcomLead (Leadership in Education & Applied Development), was launched this year for both boys and girls completing high school, teaching them leadership and applied development. Although currently operating only in one hotel in Gurgaon, ITC intends to scale this project with 100 students to a Pan-India level.

Further training programs are linked to ITC's hotel division, and are held both onsite and offsite. Apprentice based training for

various skill sets such as food production, engineering and plumbing train up to 350 students per year. An ITC corporate social responsibility project offers training for underprivileged students in food production, and another program runs industrial training for students from other hotel schools for them to gain some practical experience.

Furthermore, the ITC Hotels receives hospitality students from across the globe, often from prestigious schools in Switzerland and elsewhere, so that they can experience the Indian culture of hospitality and share learnings through their workings.

ITC Hotels also collaborates with Manipal University in South India and provides the undergraduate degree in hotel management and Culinary Skills with faculty expertise, whilst also employing some of the students upon graduation. Within its hotels themselves, ITC employs a system of continuous learning by training its existing employees for the next level of excellence at the hotel online or at learning centers. Finally, ITC Hotel's renowned Master Chefs are also trained through e-learning portals.

## The results

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The success of the Hospitality Management Institute as well as ITC's other training programs is evident: high rates of admissions, lower than average desertion rates at 10%, and vast opportunities for graduates in ITC's hotels across India. All HMI and Welcome Legionnaire graduates are employed by ITC Hotels. In the case of other programs, ITC Hotels absorbs up to 40%, with the rest

finding opportunities elsewhere.

To scale up its program, ITC decided to relocate the institute in order to accommodate from 100 students to now hosting a capacity of 300 people for the management training program per year at the world class newly built 28,000 square feet learning Centre ITC HMI-Manesar.

The total cost of running the ITC Hospitality training programs is around US\$ 1.3 million, but with 100 students graduating a year and alumni including ITC Hotels-Executive Director,

Vice Presidents and various managers, the excellent results provided for ITC exceeds the investment made both to the Industry & in-house.

## Challenges

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**Selecting students** – The main challenge for the Institute lies in selecting the right students. As medicine or technology traditionally remain the preferred career choices, the hospitality industry often struggles to find the right profiles for the job. Working in the industry is hard work, requires

a vast range of skill sets, from communication to technology, as well as pleasant personality and impeccable professionalism. That being said, ITC does recognize that its strong brand often attracts very good candidates with appropriate attitude.

## Key success factors

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**Quality of training** – What has made the program so successful has been first and foremost the quality of the training provided. The faculty and practicing managers share their wealth of expertise, and all the courses are developed with the needs of the business in mind, creating employable and efficient graduates. The programs have also been enriched from collaborations and sharing of best practices from other hospitality schools across the globe. By partnering with leading business schools, the courses provide comprehensive training in a range

of subjects beyond the hotel industry, from economics to tourism studies to languages. The multiple methods of selecting, evaluating and rewarding student successes enable ITC to take school students with no knowledge of the tourism industry to become fully fledged hotel managers. By playing an active role in providing excellent training and sustainable jobs in the hotel industry, the company recognizes that the financial success of its business depends on developing the skills of its human resources.

# ITC's vocational training program



-  **Location:** India
-  **Sector:** Agribusiness
-  **Category:** Community development

## Summary

ITC's agribusiness operations in India are based mostly in poor rural areas, where a high proportion of the youth population lacks skills and are mostly engaged in the informal sector. In order to improve livelihood opportunities of the local communities, and create a skilled resource base, ITC launched its Vocational Training Program in 2013. The Program aims at improving the skill sets of people, especially those belonging to the marginalized sections of society, thereby making them better suited for the job market.

## Key figure

**2,500** youth trained for the manufacturing and services sectors since end of 2013. Targeting 10,000 per year.

## Company background

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ITC is a leading Indian multi-business conglomerate, established in 1910. Its portfolio of businesses spans fast moving consumer goods, hotels, paperboards and packaging, agribusiness and information

technology. The Company employs about 30,000 people in the country and its value chains provide livelihoods to around 6 million people, mainly amongst the poorest in rural India.

## The skills gap

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### Providing skills and improving livelihood opportunities for millions living in rural areas

It is estimated that about 12 million people join the working age group in India every year. However, the formal economy is able to provide employment to only 2 million. It is a matter of concern that this growing population of unemployed youth has high aspirations but lacks the right skills to enter the job market. This is despite the fact that there is demand for more resources in the formal sector. It is imperative, therefore, to train such unemployed youth and provide them with relevant skills. A baseline survey, carried out by ITC in 10 locations where it has large operations, revealed that out of a total number of 470,000 youth in the age group of 18 to 35 years, the majority did not possess skills relevant to the job market and were hence unemployed. Only around 145,000 youths were employed in the formal sector, with 10% being ITC employees (about 14,000). The remaining 320,000 youths were either unemployed or operated in the informal economy with jobs that did not provide any security.<sup>3</sup>

For ITC, empowering the youth with relevant skills is important in order to improve

production and increase benefits. ITC supports a number of initiatives for providing vocational training to youth so as to equip them with relevant skills and increase their employability in the market. ITC's training programs, however, have a larger purpose. It is the Company's driving aspiration to empower rural communities by creating sustainable livelihood opportunities through various initiatives including vocational training, employment and entrepreneurship.

In almost every location where it operates, ITC sees itself among the foremost companies in terms of excellence in production and residential facilities. In such areas, the Company sees virtually two different worlds coexisting – one is the world of ITC with its factories and residential areas, and the other is the surrounding areas where communities are confronted with various challenges, especially at the level of social infrastructure. In this context, one of the challenges faced by the Company is the unemployed youth who have high aspirations but not the opportunity to secure jobs to fulfil those desires.

## ITC's solution

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### A vocational training program for the rural youth

In December 2013, ITC developed a vocational training program for the communities which aims at training about 10,000 people every year. The program focuses on building relevant skills that the market demands and for which there are job opportunities. The objective is to impart the relevant job skills to job seekers and make them industry-ready and employable in the manufacturing or service sectors. The program is also part of the Company's affirmative action plan that focuses on the Scheduled Castes and the Scheduled Tribes (SC/ST), which are considered to be among the most socially and economically marginalized in India.

The program offers training in trades including tailoring, beautician, hospitality, automotive, electrical, construction, garments, computer skills, security skills, nursing, driving, retail, marketing and technician. The duration of the courses ranges from 1 to 3 months depending on the trade. As the Company requires a very large front line sales force, ITC also accords special focus on providing skills for the fast moving consumer goods sector. ITC trains a large number of youth, far beyond what it can absorb within the Company itself. Other companies also benefit from the availability of a trained and skilled resource base.

The residential training incurs a cost of approximately US\$ 275 per student, depending on the trade. While a major part of this cost is borne by ITC, the program requires that every youth contributes 5% to

10% to the up-front fees, depending on the trade to ensure that there is commitment to the purpose. In total, ITC plans to spend about US\$ 1.7 million for the financial year 2014-2015 to set up infrastructure and run the program in all regions.

ITC has divided its operations into four zones: North, West, South, and East. In each zone, the Company has identified a large organization specialized in providing vocational training. The key partners identified are Pratham Foundation in the West; Don Bosco Technology Institution in the East; LabourNet in the South; and Edulever in the North.

The program is first launched in ITC's factory areas, within a radius of 20 km, and then expanded as it is scaled up. ITC's partner NGO conducts a Needs Assessment Survey with the organizations operating in and around the area. Awareness camps are then held for the youth in the 18-25 age bracket to provide them with details of the training, which may be residential or non-residential. The youth then opt for the trade they are interested in. However, they have to clear an aptitude test using assessment methods developed with the NGOs. Once the assessment is completed, a match making exercise is carried out. Depending on the results and their background, the youth may be advised to change trades.

On the completion of the classroom training, depending on the trades the youth may be placed with various organizations for

apprenticeship for a couple of weeks. Once the course is over, the partner organization (NGO) organizes placement camps and invites all industries in the vicinity. The intent

is to establish relationships with various industries in the region, so that the skills needs can be assessed and training provided in relevant trade.

## The result

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Six months after the program was launched, ITC trained nearly 2,500 youth, one fourth of them being girls. This is considered encouraging as there was no surety as to whether parents would allow their daughters

to work outside their hometown. ITC has been very successful in enabling services and job linkages, as 75% of people who were trained by ITC, have entered the formal job market.

## Challenges

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### Willingness to relocate for training –

Anecdotal data reveal that in the more prosperous parts of India (West, South), the youth are not willing to move out of their hometowns, even if there is an appropriate job opportunity. As a consequence, ITC has to arrange to train these youth in their areas of origin. In other areas such as the East, the youth (including girls) are keen to move to the more prosperous states, which was a matter of surprise for ITC.

**Raising awareness** – When ITC launched the program in December 2013, it witnessed a significant drop out after the first week of training. That was a major learning for ITC, as it realized that its awareness programs were

not intensive enough. The Company has therefore increased its program awareness drive from half a day to three to four days in every village. ITC also telephonically connects prospective candidates and their parents to people who have already attended the program and have secured jobs.

### Trade orientation – Trade orientation –

Most of the youth prefer hospitality as a trade, as it is associated with higher status jobs. However, India requires skilled labor in the construction sector, which might be associated with difficult labor conditions. ITC puts in extra efforts to convince youth that sectors like automotive or construction offer good career opportunities.

## Key success factor

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**Meeting the job market needs** – As the training provided by ITC is in alignment with job market requirements, most of the trained youths secure jobs in the formal sector.

In addition, the partners selected by the Company have a strong network of industries and businesses, which can be leveraged for placement services.

## Vale's training program



-  **Location:** Brazil
-  **Sector:** Extractives – Mining
-  **Category:** Workforce development

### Summary

Facing a lack of high-skilled workforce in some states of Brazil, home to some of its most important operations, Vale has decided to partner with educational partners to educate engineers, managers and logistics specialists as well as operational technical level employees among the local population. Vale's training program has proven to be beneficial for the company as it enables it to hire well-trained people locally. For their part, Brazil's state educational partners can attract more talented students, whilst improving livelihoods in local communities.

### Key figure

**820** engineers and geologists,  
in 5 years; 11,700 young students trained  
between 2008 and 2011

## Company background

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A 70-year old mining company with headquarters in Brazil, Vale is the worldwide leader in iron ore and the second largest producer of nickel. With operations in several

countries in five continents, Vale employs over 70,000 people or over 130,000 with the outsourced team.

## The skills gap

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### Workforce development

With one of their biggest and richest mines located in the north of Brazil, Vale is at the forefront of the country's growing economic and mining clout, whilst also being the largest logistics operator in the country. However, working in such a large and diverse country does present certain challenges, especially due to the different realities across locations.

A 2011 survey by the National Confederation of Industry (CNI) showed that 69% of the surveyed industries face difficulties due to lack of skilled labor and 78% of companies consider training a priority. Furthermore, education and job opportunities are concentrated in the south, whereas in the

remote north, where most of Vale's operations are based, it is difficult for the company to find local qualified people to operate the mines, railroads and ports. The alternative is to employ people from the southern regions and relocate them, but the reality is that although the North holds the largest potential for Vale's business growth, it is not an attractive place for employees to work and live in. Consequently, the company has difficulties retaining professionals in its large operations for longer than a few years. To meet its business needs, and to contribute to local economy and communities where it operates, Vale has launched a substantial education program to train people across its operations.

## Vale's solution

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The Vale Educational Department – Valer invests in a variety of initiatives to develop employees, bringing benefits also to local communities, one of the largest being its education program. By working in partnership with Vale operations, Valer identifies the skills needed for the corporation, and helps local educational partners develop specific courses to train an appropriately qualified workforce.

The lack of skilled labor motivated Vale to invest in the training of youth. The company's

training program focuses on developing skilled professionals to improve business and the communities where it operates. Vale's Human Resources and Business areas share a goal to ensure proper training of employees. The educational strategy is based on mapping key processes and functions performed in the company, which generates a portfolio of training to develop the necessary skills in order to guarantee operational excellence.

## The program offers two kinds of curricula:

- At university level (Programa de Especialização Profissional), the courses aim to educate engineers and geologists. In partnership with the universities, the courses are created with real knowledge of business needs, with customized content from Vale expertise, and are flexible enough to be regularly updated to changes in business practice. Vale's view is that education is business, as without the program it would not be able to sustain the growth of its business. The company covers the tuition fees, in addition to providing scholarships to its trainees. The benefits of Vale's programs are shared with society.
- At technical apprentice level (Programa Formação Profissional / PFP), the program targets young people finishing school, and aims to provide them with technical education. To do so, Vale also partners with local education institutions and creates a similar sort of course as the one at university level. The curriculum is a mix of theory and professional practice accompanied by a mentor. This enables Vale to develop and train technicians and operators. The program costs Vale some US\$ 20,000 per participant, and has been given to almost 3,000 participants since 2011. Vale then hires around two thirds of the graduates. In Vale's view, the other third of the students are equipped with the necessary skills to apply for a job at any other company in the region.

## The results

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Launched in 2003, the Vale Educational Department – Valer has evolved to provide courses in Brazil and has expanded internationally (most notably to Mozambique). In the last five years the Programa de Especialização Profissional has trained 820 participants, in partnership with eight universities in Brazil. Regarding the Programa

de Formação Profissional / PFP, the students, once recruited through a selective process managed by Vale, spend three to four months studying customized content taught by the educational partners, before being trained for several months at the operational areas. Students are evaluated across all phases of the program.

## Challenges

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**Retaining talents** – The main challenge that Vale faces is that once it has trained and employed good professionals transferred from the south to the north, it struggles to retain them. Once provided with good specialization training and excellent work experience those employees are often tempted to take back their careers by trying

out some opportunities in the South. To deal with this issue, Vale's human resources department offers increased benefits such as salaries, tickets for vacation and rental expenses for those staying in remote areas. That being said, Vale recognizes that all companies face the same difficulties in these regions and that the challenge is how

to develop the region so that moving and staying on with their families is an attractive option for employees.

**Recruiting talents** – Due to some deficiencies in the Brazilian education system, Vale often finds that recruiting good

## Key success factors

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**Innovative training** – The success of the scheme lies with the innovation that Vale brings to local education and the pioneering courses that have never been on the curriculum before. The educational partners have the opportunity to offer the courses in the future without the company's backing.

**Improving livelihoods** – The professional qualification program also has a large impact on local communities, as education and

candidates can be challenging. The company has therefore determined that there are certain basic courses that have to be included in the training program to bring all students to a common level, such as Portuguese and mathematics.

better incomes improve the quality of life of whole families.

**Partnering** – Structuring and implementing Vale's educational actions is accomplished thanks to the strategic engagement of partners in view of stimulating relationships and sharing Vale's benefits with the scholarly community, private entities in the education sector, and society at large.

# Vale's *Inove* local content development program



-  **Location:** Brazil
-  **Sector:** Extractives – Mining
-  **Category:** Value chain development

## Summary

Some of the largest operations of Vale in Brazil are located in remote areas and lack a structured network of local suppliers. To address this gap, Vale's Local Content Department has initiated the *Inove* program. Its goal is to support the development of local small and medium enterprises (SMEs) and provide their managers and workers with the relevant skills to meet Vale's procurement needs and build a positive legacy in the regions where Vale operates.

## Key figure

**500** SMEs supported, more  
than 4,000 people trained

## Company background

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A 70-year old mining company with headquarters in Brazil, Vale is the worldwide leader in iron ore and the second largest producer of nickel. With operations in several

countries in five continents, Vale employs over 70,000 people or over 130,000 with the outsourced team.

## The issue

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### Integrate local suppliers in the value chain

Most of Vale's operations in Brazil are concentrated in the states of Minas Gerais, Para, Espírito Santo and Maranhão, which all together cover the same area as the Democratic Republic of Congo. In recent years Vale's production in these four states has dramatically increased thanks to massive investments, in Para state alone. Also in Para state, Inove has the challenge of supporting S11D – the biggest iron ore project with an investment close to US\$20 billion. The project is scheduled to start in 2016. However, the Northern states of Para and Maranhão are also among the poorest states in Brazil. In 2008, the results of a gap analysis study conducted by the Global Procurement Department in the Para state highlighted a lack of local suppliers meeting Vale's requirements in terms of quality,

environment and safety standards.

In line with Vale's drive to transform natural resources into prosperity and sustainable development, and based on the study, the company has decided to support the development of local suppliers and increase the volume of purchases held by the company from local suppliers. Beyond the need to fulfill social requirements to get a license to operate from local governments, Vale's ambition is to leave a legacy to the regions in which it operates, a legacy that can last longer than the mines' lifetime. Providing skills to the local communities can contribute to the development of the regions and attract new investments that are not only related to Vale's business.

## Vale's solution

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### *Inove*, a local content development program

In 2009, with the objective of strengthening Vale's commercial relationship with local suppliers, especially small and medium-sized, Vale's Procurement Department created a Local Content Program – the *Inove* program. As Vale requires its suppliers to adhere to certain standards, it was important for the company to provide them with

relevant tools that can enable them to move towards meeting procurement requirements. The program is led by the Intelligence and Development Director at the Global Procurement Department.

Through training, financial tools and business development, the program aims to increase

competitiveness and enhance business capabilities – promoting local business and value creation for the supply chain, and leave an economic legacy for the communities where Vale operates. The content of the training courses, online and face-to-face are developed in partnership with training institutes and regional partners.

The online training platform allows Vale to reach a greater number of professionals. It is a self-training tool offering over 100 different courses on topics such as entrepreneurship and innovation, leadership, financial management, project management, commercial management, health & safety, environment, construction. The courses can last from 1 to 40 hours depending on the topic and are open to all types of professionals who want to deepen their knowledge for a symbolic fee – close to US\$10 per month for a chosen course (e.g., security and health).

Because of existing technological gaps in remote areas, and in order to better reach the critical suppliers in each region, Vale privileges also conducts a face-to-face training program. Building on the expertise of Vale's employees, national and regional partners, and global suppliers, this program covers a variety of topics such as building, welding, mechanics, masonry, health and safety, risk management, certification process, etc. For instance, Vale works with Serasa Experian, a company specialized in economic and financial analysis, to train its suppliers on risk awareness, analysis and management.

In addition to the educational pillar of *Inove*, the program's financial tools enable Vale's suppliers to carry out prepayment of receivables for companies with lines of credit recognized by the company and to gain access to credit lines for the purchase of equipment, mobilization and/or working capital. For its part, the business fostering program most notably enables access to good and services (safety materials, electrical materials, industrial tools, computer supplies, insurance, etc.) at advantageous price conditions. The overall objective is to promote the competitive and sustainable insertion of micro and small companies in the mining production chain.

Vale implements the *Inove* program with different types of partnerships at both regional and national levels. Partners include local chambers of commerce and trade unions, public authorities, and public and private educational institutions. Important regional partners include the Federation of Industries of the State of Pará (FIEPA), Program for Small Companies Development (Prodfor) in the State of Espírito Santo, and the Supplier Development Program (PDF) in Maranhão. At the national scale, Vale had a two-year agreement with the Brazilian Service to Support Micro and Small Companies (SEBRAE), a non-profit organization to build capacity of SMEs and prepare them for the market. With a joint investment plan of US\$6 million, Vale and SEBRAE conducted diagnostics and implemented an action plan to leverage competitiveness. Around 500 local companies have been certified through SEBRAE's three-year training program,

which is tailored to the specific issues the companies are facing, for instance human

resources, technical requirements, etc.

## The results

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From 2009 to 2013 Vale has trained around 700 suppliers and more than 4,000 persons. The Vale / SEBRAE program identified over 1,000 SMEs and trained approximately 500 of those in finance, strategic planning, performance indicators and innovation. About 100 of them have participated in Vale's procurement processes, which have resulted in over US\$155 million in contracts.

From 2011 to 2013, Vale has increased the local content acquisition in the states of Minas Gerais, Para, Espirito Santo and Maranhão, from 53% to 62% – amounting to

a total volume of approximately US\$ 1 billion in 2013.

Measuring the social and economic impacts of the program and understanding how much value it is adding to the company has become a top priority for Vale. The group works with two major consulting firms to develop a specific methodology in view of translating local content interventions into numbers. Vale also encourages its partners to participate in this measurement effort and adopt common indicators.

## Challenges

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**Making suppliers competitive** – Vale has a number of requirements (quality, health & safety, social, environment, etc.) that any supplier needs to meet. The first challenge for the *Inove* program is to make local suppliers competitive enough so that the buyers consider them as an option.

**Articulating the value of local content strategies** – since the meaning of “local content” may vary across internal and external stakeholders, another challenge is to demonstrate that local content is related to creating shared value in terms of results and benefits for the company complemented by a positive legacy for the region where the company operates. In a nutshell, it is about

shifting the approach from Creating Corporate Social Responsibility (CSR) to Creating Shared Value (CSV).

**Measuring the impact of the training program** – this is key to demonstrate the financial and social benefits to the company, the suppliers, and the surrounding communities.

**Rollout to other countries and transform *Inove* into a global program** – Vale operates in remote areas globally as Mozambique *Inove* started in 2014 an educational approach to develop skills of local suppliers with the realization of a Vale Day. The latter focuses on strengthening the relationship with local

suppliers, present the Supplier Performance Evaluation method, offer the online training solution available, as well as create an

environment for the exchange of experiences and best practices.

## Key success factors

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**Internal support** – the *Inove* program is part of a structured sustainability strategy for Vale, and is fully aligned with other training initiatives conducted by the different departments with a strong sponsorship and leadership. The local content team works closely with internal stakeholders, including the Vale Foundation and different departments within Vale, and benefits from high-level support.

**Local partners and focus point** – Vale works closely with the regional stakeholders in view of developing the right program and measuring the results. In each state where it operates and runs the *Inove* program, Vale has a local person who knows the state, its culture and history, and represents Vale with suppliers, local associations, and institutions.

**Follow-up** – Vale scans the companies attending the training programs and once the training is completed, the company runs a new scan to compare and assess whether the training was effective or not.



# SABMiller's 4e *Camino al Progreso* training program



-  **Location:** Latin America
-  **Sector:** Retail
-  **Category:** Value chain development

## Summary

SABMiller sells its products across Latin America through a value chain of very small retailers called *tenderos* from low-income communities, holding local grocery stores. By supporting these entrepreneurs with business skills, mentoring, life skills and networking, the company has accelerated their growth and social development whilst benefitting from increasing sales and improving livelihoods across its value chain. In 2013, the company launched a large-scale enterprise development program called *4e Camino al Progreso* (Path to Progress).

## Key figure

Targeting **40,000** *tenderos* across  
six Latin American countries by 2018 – and  
**190,000** *tenderos* by 2020

## Company background

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Founded in South Africa in 1895, SABMiller plc is the world's second largest brewing company. It is also one of the world's largest bottlers of Coca-Cola drinks and produces a portfolio of wholly-owned soft drinks brands. It

operates in 75 countries with around 70,000 employees in six different continents. Latin America is one of the company's fastest-growing markets with 780,000 small retailers across the region.<sup>4</sup>

## The skills gap

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### Developing skills across the value chain

In Latin America, SABMiller sells beer and soft drinks through a value chain of very small retailers, or *tenderos*, who hold local grocery stores (*tiendas*). *Tenderos* are usually "survival" or "necessity entrepreneurs" as the income made from their stores is used to meet their families' day-to-day needs. In Colombia, for instance, the company estimates that revenues range from US\$ 130 to 315 per month. The *tiendas* have an average size of 40 square feet, the majority owned by women, and stock food, beverages, basic household goods and credit for mobile phones. In low-income countries, entrepreneurs such as *tenderos* and small and medium enterprise (SMEs) account for 80% of employment but less than 20% of GDP, and so helping them develop is a business imperative for SABMiller.<sup>5</sup>

Located in low-income communities, the constraints for *tenderos* are numerous: lack of financial literacy, rudimentary inventory management skills, and insufficient knowledge

on pricing and how to differentiate stores from the competition. However, as the stores tend to bring together people and form social hubs (on average, one small store serves 50 families), the *tenderos* often provide advice and services beyond their business, and are seen as persons of reference in their communities. As such, they can be considered ideal figures to lead initiatives that benefit the community.

The development of suppliers, distributors and retailers in SABMiller's value chain through training, mentoring and access to finance and technology is a core part of the company's sustainability strategy.<sup>6</sup> There are also targets in place to directly support over half a million small enterprises with the aim of enhancing business growth and family livelihoods by 2020. Currently the company works with 50,000 smallholder farmers and 68,000 micro-retailers and entrepreneurs worldwide.<sup>7</sup>

## SABMiller's solution

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### *4e Camino al Progreso*

By focusing on improving the livelihoods of *tenderos*, with a particular focus on the 70% of female retailers who are also heads of households, SABMiller realized it could have substantial impact on individuals, communities and society as a whole while relying on this channel to reach the consumer. It was with this objective that the company launched its social program *4e Camino al Progreso*.

The program aims to improve the leadership and business skills of *tenderos* by providing them with training courses and mentoring. As the shops become more efficient and appealing to consumers, income rises and thereby *tenderos* have the opportunity to lead more fulfilling lives and even become community leaders.

*4e Camino al Progreso* was built on the best practices and previous experiences gained from pilot projects run by SABMiller, such as the *Progresando Juntos* program in Peru and El Salvador focused on improving business skills, as well as the *Oportunidades Bavaria* project in Colombia providing microcredit for small retailers. The latter was launched in 2009 with the aim of improving the business performance and quality of life of small-scale shopkeepers and was extended in 2012 to include business training. This was eventually scaled up to develop the *4e Camino al Progreso* program, launched in August 2013.

To create the program, SABMiller partnered with specialist research firm *MindCode*,

conducting an in-depth study on the aspirations, desires and dreams of *tenderos* in order to establish what would make them more fulfilled in their day-to-day lives. The answers that came out were of two kinds: firstly, the *tenderos* wished to have more successful and growing businesses; secondly, they wanted to improve the quality of their private lives, self-esteem and secure better opportunities, such as education for their children or home purchasing, and to help the communities around them.

Building on these insights, SABMiller designed an initiative with the objective of training *tenderos* to not only be better business people by running more efficient and appealing shops, but also to build leadership skills to take on responsibilities at community level. To carry out this initiative, SABMiller partnered with FUNDES, a private development organization that focuses in micro, small and medium enterprise development. FUNDES consultants and SABMiller sales personnel work closely and are in direct contact with the *tenderos*.

The training program is divided into four stages, with each stage consisting of 6 modules taught in 35 hours; and 3 components. The stages are:

- 1. Responsible Tenderos:** focus on basic business skills such as displaying products, sales, customer service in order to raise income;

2. **Sustainable Tenderos:** classes on sustaining long term resistant businesses, on cost and expenses structures, inventory rotation, and about making a life plan;
3. **Excellence Tenderos:** ideas are explored for doing something for the community, plus classes on recycling, responsible beverage sales and diversification of products and services;
4. **Leader Tenderos:** classes on developing the microentrepreneurs as a community leader and converting the shop into a meeting place for neighborhood development.

The *tenderos* go through these stages in classrooms of 25 over 12 weeks. In addition and in parallel with the stages, the program comprises 3 components: a diagnosis

to identify the *tenderos*' strengths and weaknesses; training for *tenderos* to be more competitive; and a one-on-one advice in their own shops with mentors to apply what they have learnt in the classroom.

The content of the courses has been adapted in language and form to the social and cultural conditions of each of the six countries in which they are deployed (Colombia, Peru, Ecuador, Panama, Honduras, and El Salvador).

Overall, SABMiller will invest US\$ 17 million to benefit 190,000 *tenderos* in seven years. Project 4e will receive a US\$ 3 million grant from the Multilateral Investment Fund of the Inter-American Development Bank in 2015 to complement the US\$ 17 million that the company has invested to deploy the training.

## The results

Targeting 40,000 *tenderos* across six Latin American countries by 2018, and 190,000 by 2020, the program aims to improve business skills and leadership through the provision of training courses and mentoring. Overall, SABMiller believes that via this program, it could touch up to 10 million people directly and indirectly by 2018.

SABMiller has observed sales growth, retailer loyalty, reduced costs and risks, profit increase, retailers gaining higher income, reported better living conditions and four fifths of participants stating that the program has raised their self-esteem, developed their competences, and created an interest in

their respective community. *Tenderos*' total sales grew by 13% and it is expected to grow to 30%.

SABMiller is committed to "work with partners to measure overall number of enterprises supported, income, job quality, and employability, with a specific focus on women."<sup>8</sup> The impact of the program is being measured using a Social Return of Investment methodology with a baseline of April 2014. Expecting to publish initial results by October 2015, the measurement process looks at the jobs created, income generated and the change in life conditions on four levels: business, personal, family, and community.

This enables the company to determine if the final purpose of the project, to give *tenderos* the tools to become agents of change, is being met. SABMiller's aspiration is that the project not only reaches the target of 190,000 small retailers by 2020, but that it creates a model that can be replicated and improve people's lives across the globe.

Already a year into the project, SABMiller intends to expand its scope in different ways. Firstly the company's salesforce database

is expected to play a critical role in ensuring continuous communication, by tracking the project and trainees. This will help create a mentoring system to continue to work with the entrepreneurs after the training. Furthermore, the company intends to introduce technology into the training activities and will pilot a project in Latin America this year. On a larger scale, the company is looking to transform the 4e program into a platform that other consumer goods companies can participate in.

## Challenges

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**Finding the right partners and creating the business ecosystem** – One of the main challenges that followed was to find partners to collaborate with, especially as the program had to be tailored across six different countries, but with one commonality of targeting small retailers. SABMiller partnered with experts along the process,

from enterprise development agencies for scoping, neuroscientists for the surveying, to consultants for tracking the process. The company is also in the process of bringing local authorities and organizations to the program by helping governments use the 4e channels to reach the most vulnerable.

## Key success factors

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**Support from senior management** – In the case of SABMiller, top executive support was the catalyst for launching the 4e program as the President for Latin America was at the origin of a top-down movement to genuinely affect the lives of the people working in the company's value chain. In collaboration with the social development team, who already had insights and knowledge about the communities in the company's operations, the project scoping was launched.

was necessary to engage with other parts of the company, especially the sales team, to explain the value of investing in such a project. The in-depth study conducted by neuroscientists was essential for finding the insights that would unite the company behind a common objective. Identifying this, communicating it to all the internal stakeholders proved to be one of the key success factors for the program.

**Effective internal communication and justification** – It was at this stage that it

**Leverage of business expertise** – Core business knowledge was incorporated into the training program.

**Leverage of scale** – Necessary to develop regional programs that single countries cannot achieve alone, as well as attracting influential partners.

**Strengthening business ecosystems** – Raising awareness and aligning incentives to create more successful business communities was an integral key success factor of the program.

## Endnotes

1. IIFC Jobs Study – Assessing private sector contributions to job creation and poverty reduction (2013), <http://www.ifc.org/jobcreation>
2. Source:UN World Tourism Organization, India's tourism performance – available at [http://asiapacific.unwto.org/sites/all/files/pdf/cap-csa-24-5b\\_ref\\_indias\\_report.pdf](http://asiapacific.unwto.org/sites/all/files/pdf/cap-csa-24-5b_ref_indias_report.pdf)
3. The data in section is based on figures provided by ITC.
4. Jenkins, Beth, Richard Gilbert and Piya Baptista. *SABMiller's Approach to Strengthening Business Ecosystems*. Harvard Kennedy School, Corporate Social Responsibility Initiative. 2014.
5. Harvard Kennedy School's CSR Initiative and Business Fights Poverty, op. cit. p.6.
6. This is one of the five main objectives of SABMiller's sustainability strategy, along with discouraging irresponsible drinking, making beer with less water, reducing waste and carbon emissions, as well as supporting sustainable use of land.
7. SABMiller, Sustainability, Growth and Development, <http://www.sabmiller.com/sustainability/shared-imperatives/growth-and-development>.
8. SABMiller, Sustainability, Growth and Development, <http://www.sabmiller.com/sustainability/shared-imperatives/growth-and-development>, accessed September 10, 2014.



## About the World Business Council for Sustainable Development

The World Business Council for Sustainable Development (WBCSD) is a CEO-led organization of forward thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Leveraging its strong relationships with stakeholders as the leading advocate for business, the council helps drive debate and policy change in favor of sustainable development solutions.

The WBCSD provides a forum for its 200 member companies – who represent all business sectors, all continents and a combined revenue of more than US\$7 trillion – to share best practices on sustainable development issues and to develop innovative tools that change the status quo. The Council also benefits from a network of 65 national and regional business councils and partner organizations, a majority of which are based in developing countries.

The WBCSD's Vision 2050 plots a pathway to a world in which 9 billion people live well and within the boundaries of the planet. To deliver tangible outcomes along this pathway, the Council has launched Action2020 – a science-based action plan that seeks to engage companies to implement innovative and scalable business solutions and improve the business case for sustainability. The area of "Skills and Employment" has been identified as one of nine key priority areas within the platform. The business solution focused on skills gaps is part of the WBCSD's Social Impact Cluster, which aims to catalyze and scale up business solutions that contribute to meeting basic needs, respecting human rights, and enabling access to goods, services, and livelihood opportunities.

[www.wbcSD.org](http://www.wbcSD.org)

## About Let's Work Global Partnership

Let's Work is a global partnership that unites organizations<sup>1</sup> dedicated to providing effective solutions to the global jobs crisis by harnessing the potential of the private sector to help create more and better jobs that are inclusive. The partnership's mission is to work with countries, private sector companies and development practitioners to support private-sector-led job growth by focusing on removing the main constraints to job creation and strengthening value chains. Let's Work also focuses on creating more formal sector jobs in developing countries as well as better quality jobs that increase productivity and wages, improve working conditions, and provide more opportunities for marginalized groups such as women and youth.

The work program consists of three pillars:

- 1) country implementation, to support private sector-led job creation and improvements in the quality of jobs in selected countries;
- 2) methodologies and analysis for estimating indirect, induced and secondary job effects; and,
- 3) communications and knowledge management be to maximize the global public good aspect of the lessons that are learned.

Let's Work builds on the findings and successful launch of the IFC Jobs Study and is coordinated by the World Bank Group. For more information, please see website [www.letswork.org](http://www.letswork.org)

1 - Current partners of Let's Work include the Netherlands, Switzerland (SECO), the United Kingdom (DFID), the fifteen European Development Finance Institutions (EDFIs), African Development Bank (AfDB), Asian Development Bank (ADB), European Investment Bank (EIB), Inter-American Development Bank (IADB), Islamic Development Bank, the World Bank, International Labor Organization (ILO), World Business Council for Sustainable Development (WBCSD), Private Infrastructure Development Group (PIDG), the International Youth Foundation and Overseas Development Institute (ODI). Several other partners are expected to join soon.

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### Disclaimer

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[www.wbcds.org/social-impact.aspx](http://www.wbcds.org/social-impact.aspx)

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