



Individuals' compassion and organizational inclusiveness: Case studies of Japanese BCtA companies fighting for global health

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Abstract

Aim: This paper looks at the employees of hybrid organizations from the perspective of the theory that people's actions have a profound impact on the nature of those organizations and institutions. It demonstrates how these workers are essential for assisting the world's poorest people in developing nations. Choosing which subset of the population to market to can be complicated by factors at the level of the organization, such as the nature of the business's structure, strategies, and products.

Method: The sample was selected from among the BCtA member companies in Japan that are engaged in inclusive business in the area of global health. Three companies' employees were surveyed using a Qualtrics online survey. In addition, respondents were asked to rate their level of risk aversion on a scale from "very risk-averse" to "not at all" and their willingness to go above and beyond to formally or informally help the extremely poor.

Findings: The most compassionate leader and the most welcoming company culture came together to form Company A. Comparatively, the least compassionate respondent worked for Company B and had no personal experience with marginalized groups. His risk aversion was lower than average, and he was willing to help the poorest of the poor if the financial hit could be absorbed elsewhere.

Implications/Novel Contribution: This essay aims to show how compassion on a personal level affects the availability of goods and services for the most vulnerable people in developing nations. This research explores the significance and limitations of the three individuals' compassion-driven efforts to involve the extreme poor in their business processes by conducting an online survey of three Japanese multinational companies certified as members of the United Nations-led Business Call to Action (BCtA) fighting for global health.

Key Words: Hybrid Organization, Inclusive Business, Organizational Psychology, Global Health, Compassion

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INTRODUCTION

Although the UN's Millennium Development Goals (MDGs) have been largely accomplished, there is still a major problem: the new Sustainable Development Goals (SDGs) have yet to address inequality. The most important thing I learned from the MDGs is that we need to do more to close the wealth gap. However, this external pressure from the MDGs led developing country governments to focus only on the populations within their countries that would easily achieve the goals, which was different from the intention of the MDGs. The private sector is another developmental actor expected to help raise the MDGs-related index of vulnerable populations living in extreme poverty alongside local governments. As stated in the MDG 8.E., private pharmaceutical companies must work together to meet the demand for better global health in developing nations. Involving the extremely poor in the private sector's business processes is difficult, even though the private sector has the advantage of innovative technologies that increase productivity at a low cost compared to local governments. Because those in need typically have low purchasing power, for-profit businesses need more to gain financially by selling their wares in third-world countries. Fewer people without purchasing power will benefit from innovations driven by the private sector if more for-profits focus on those with purchasing power. This trend may cause a greater disparity between the poor and the extremely poor.

While numerous studies on the effective business models of hybrid organizations have been conducted, little focus has been given to the growing gap between the poor and the extreme poor as a result of private sector

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involvement in development. This paper examines the people in charge of market-based approaches to poverty alleviation, or so-called inclusive business, to determine whether the private sector can help the extreme poor, i.e., reduce the disparity between the poor and the poor. Because of the time and effort needed to influence organizational decisions, this study's sample consists of hybrid organizations in Japanese branches of multinational corporations. By contrast, in Japanese companies, an employee's efforts are more likely to have an outsized effect on a policy decision made by the company. Previous research on social entrepreneurship suggests that caring for others may inspire extraordinary measures to assist marginalized groups. This essay aims to demonstrate how individual compassion affects the availability of goods and services for the world's poorest people in developing nations.

LITERATURE REVIEW

Inclusive Business for the Sustainable Development Goals (SDGs)

Inequality within and among countries was actively discussed in a process led by the UN that aimed to define the post-MDGs development agenda. Applying lessons learned from the MDGs, the new SDGs require not only the public sector but also the private sector as important stakeholders. The UN and other traditional development agencies launched the Business Call to Action (BCtA) to encourage the private sector to facilitate inclusive business, "commercially-viable business ventures that engage low-income people as consumers, producers, suppliers, and distributors of goods and services (UNDP 2016)". For-profit companies, as main facilitators of inclusive business models, have been expected to be a driving force for the effective implementation of the SDGs, reducing inequality.

Hybrid Organization as a Key Stakeholder Improving Global Health

The private sector plays a significant role, especially in the field of global health: \$6.2 billion out of \$35.9 billion of the disbursement of development assistance for health in 2014 originated from private sources (Institute for Health Metrics and Evaluation 2015). Beyond the financial contribution, for-profits can lend their technology and knowledge to solve global health challenges (Zedlmayer 2011).

Socially motivated individuals such as social entrepreneurs often venture into hybrid organizations to alleviate poverty. No matter which legal structure they choose, hybrid organizations are widely known as profit-seeking organizations with dual focuses on social and economic goals (Haigh, Kennedy, and Walker 2015; Holt and Littlewood 2015). From the financial and technological perspectives, these hybrids are more likely to be key enablers in global health. For example, Embrace, a Stanford University-born startup, developed an affordable infant warmer to save low-birth-weight infants' lives. To achieve its consistent goal effectively, its founders incorporated a nonprofit in 2008 as well as a for-profit in 2012 (Embrace 2016).

Not only social entrepreneurs but also traditional multinational companies can establish hybrid organizations (Holt and Littlewood 2015). Inspired by the concept of Creating Shared Value (CSV), an overwhelming number of global giants such as the Coca-Cola Company and SAB Miller et al. (2012) internally founded hybrid organizations and launched so-called inclusive businesses (Porter and Kramer 2011). As of June 2016, 33 out of 137 BCtA member companies operate inclusive businesses in the global health field with various developmental aims-for example, improving infants' and mothers' mortality rates and reducing infectious diseases (UNDP 2016).

Individuals in Hybrids: Social Entrepreneurs and Intrapreneurs in Japan

According to Battilana (2006), individual actions shape organizations and are enabled to act as entrepreneurs despite institutional pressures. Due to internal and external pressures, individuals in bureaucratic organizations such as Japanese multinational companies often face difficulties in launching an inclusive business in the poorest of the poor countries. The bottom-up decision-making process "ringi" requires a tremendous commitment of time and energy to form a consensus among managers who put more emphasis on financial return (Ala and Cordeiro 1999). For-profits are able to easily target middle-income segments to elicit an agreement on inclusive business plans. However, highly compassionate individuals may overcome pressures at the expense of personal resources in order to improve their mental health (Tokuda 2015).

Focusing on individual-level psychology, Miller et al. (2012) conclude that compassion may be a key motivating factor for launching a hybrid organization. Similar to social entrepreneurs, individuals in Japanese

large enterprises mostly have to establish their organization from scratch, going through very stressful bureaucratic procedures. On the positive side, Japanese bottom-up managerial style provides opportunities for employees to propose their ideas to their managers. Thus, so-called intrapreneurs may play a critical role in making a decision as to which country or segment their inclusive business will target, balancing two traditionally different objectives: economic and social gains. Interpersonal contact-based compassion may encourage social intrapreneurs to make an extra effort to create an internal agreement on launching inclusive business targeting the poorest of the poor (Tokuda 2015). This study illustrates that intrapreneurs' compassion is a key enabler for developing a more inclusive business that involves the extreme poor.

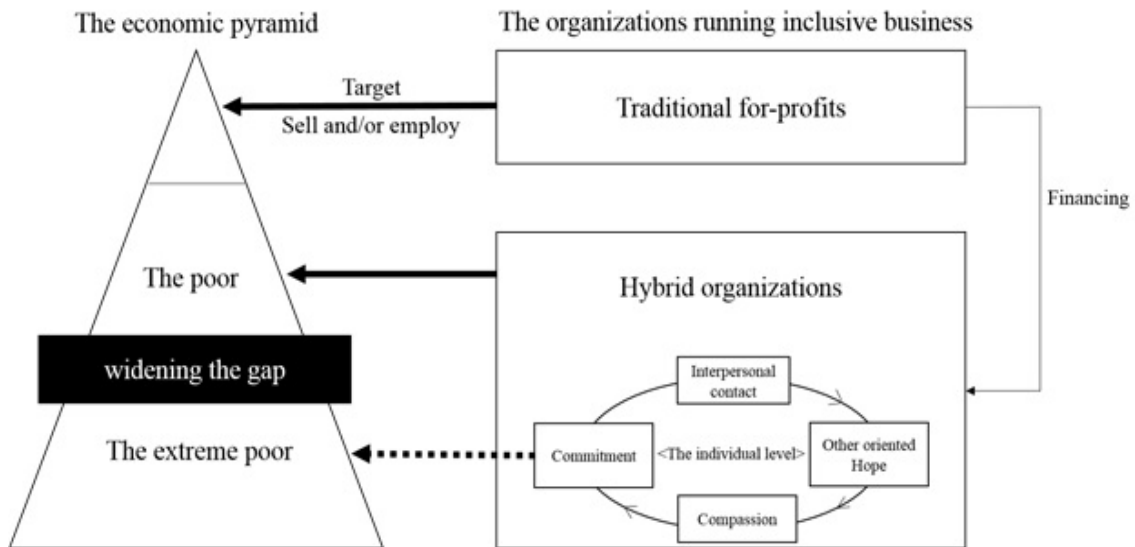


Figure 1. The targeting segments of the different organizations and the individual level efforts

METHODOLOGY

The aim of this study is to examine the relationship between compassion at the individual level and inclusiveness at the organizational level. This paper analyzes three organizations. The sample was chosen from the list of the Japan-based BCtA member companies running inclusive business in the field of global health. Three out of the seven companies have a similar organizational character: their CSR divisions manage their inclusive businesses. Although the CSR divisions are considered to have no profit-making mission, the units in these three companies are faced with financial pressure at a different level. They are noted as Company A, with short-term financial pressure, Company B with mid-term financial pressure, and Company C with long-term financial pressure.

An online survey was set up on Qualtrics and sent to the respondents in the three companies. Those respondents are the employees who have primarily developed their inclusive business plans. The first section of the survey consisted of organizational level items to specify the inclusiveness of their business such as “Which country do your ultimate beneficiaries lie in?” The second section consisted of the individual-level items. This survey examined interpersonal contact with someone in poverty and respondents' compassion for him/her as well as the short version of a seven-point scale, the Compassion Love Scale for Humanity. Respondents were also given a four-point response scale from “very risk-averse” to “not at all” and evaluated their willingness to make an extra effort to benefit the extreme poor either officially or unofficially.

RESULTS AND DISCUSSION

From the perspective of inclusiveness at the organization-level, Company A expanded its inclusive business to the least developed country Human Development Index (HDI) ranked at 174. Company B's current target country was ranked at 140, and it was planning to scale up to the lower-ranked country this year. Company C's target

county was ranked at 142. Based on the HDI 2015 ranking, Company A's business was the most inclusive at the country-level and Company B and C are at the same level of inclusiveness. The respondents from Company A and C had interpersonal contacts with the vulnerable populations and also higher compassion for humanity. Both of them expressed willingness to take an informal action when they had to exclude the extreme poor from their business process. Contrary to Company A and C, Company B's respondents had no interpersonal contact with the vulnerable populations and no willingness to take any unofficial action to involve the extreme poor.

Company A's respondent was highly risk averse, while Company B and C's had less risk aversion. Company B's respondent showed more tolerance than Company A and B, answering that he was willing to make an extra effort to benefit the extreme poor as long as its loss could be covered internally.

Table 1: Survey results

	Company A	Company B	Company C
1. HDI 2015 ranking of the targeted country	151-174	140 (-173)	142
2. Interpersonal contact with the vulnerable populations	Yes	No	Yes
3. Compassion for humanity (1. Very low - 7. Very high)	4	2	6
4. Risk aversion	Moderately high	Moderately Low	Moderately Low
5. Willingness to make an extra effort to benefit the extreme poor	Less likely	More likely	Less likely
6. Willingness to take an informal action to benefit the extreme poor	Yes	No	Yes

Company A whose inclusive business had been led by the highly compassionate individual had the highest inclusiveness among the three companies. In spite of the fact that Company A's respondent showed the highest risk aversion, the organization had expanded its inclusive business to the lower HDI countries over time. His risk aversion might discourage him to be willing to make an extra effort to involve the extreme poor. However, he had a strong willingness to take an unofficial action to benefit the extreme poor: i.e., to wait for the appropriate timing and to keep trying to involve the extreme poor in the business process.

In contrast, the least compassionate respondent from Company B had no interpersonal contact with vulnerable populations. He was less risk-averse and willing to benefit the extreme poor as long as the loss of profits could be covered internally. His absence of interpersonal contact-based compassion might hinder him from making an extra effort to benefit the extreme poor in excess of business hours. Although the respondent of Company C had the highest compassion for humanity and the lowest risk aversion, Company C's organizational inclusiveness was less than that of Company A. Company C made a strategic decision on the targeted country, so his individual-level compassion was not reflected. Nevertheless, the respondent of Company C has strong compassion based on his interpersonal contact with the vulnerable populations, which motivates him to take an informal action to improve the lives of the extreme poor.

CONCLUSION, RECOMMENDATIONS AND IMPLICATIONS

This paper explored the influence of individual-level compassion on organization-level inclusiveness in impoverished countries. The survey results indicate positive correlation between compassion and willingness to target the extreme poor. The more compassionate they are, the more likely that an employee might have willingness to sacrifice their personal resources in order to support the extreme poor. On the flip side, a strong commitment to a market-based approach may lead to less willingness to make an extra effort to benefit the extreme poor. All respondents were reluctant to abandon the promise of short- to mid-term profits, which implies that even socially motivated nonprofit organizations have difficulty targeting the extreme poor due to financial pressures from their parent organizations. There are also some limitations to this study, although it provides a comparative analysis of

the relationship between organization-level inclusiveness and individual-level compassion.

First, the sample is too limited to generalize these findings, because this study focused only on the nonprofit organizations in Japanese BCtA member companies fighting for global health. This study is so designed because each industry has different characteristics, such as price and spill-over effect, which may have influence on targeting segments and affordability.

Second, this study placed little value on qualitative data in order to focus on quantitative data, although the three companies had different scaling-up strategies, which might impact inclusiveness in the long-term. For example, Company A started its pilot project on a small scale because its small success was expected to attract the internal support from the board members. Company B, in contrast, launched its inclusive business as an authorized project. However, this study does not take any change over the years into consideration.

Third, this study makes the assumption that the financial pressure on these three organizations is at the same level because none of them has any profit-making mission officially. In reality, Company A had belonged to a for-profit organization and Company B will ideally transfer its inclusive business from the nonprofit organization to a for-profit organization. These narratives might generate a difference in the levels of the financial pressure, which may affect organizational inclusiveness.

Future research would expand the sample to make a statistical analysis possible and conduct additional qualitative research to complement the limitations mentioned above.

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