

# The Human-Centered Business Model:

a holistic approach to a new model of doing business

Presentation

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# Background

- ▶ The Human-Centered Business Model is a project developed within the **Global Forum on Law, Justice and Development**
- ▶ The project aims at developing an alternative approach to doing business that potentially combines, on an equal level of importance:
  - ▶ Economic Sustainability
  - ▶ Social Sustainability
  - ▶ Environmental Sustainability
- ▶ The Project seeks to create a practical business model that provides a real choice for entrepreneurs who are looking for an opportunity to conduct their enterprises in a sustainable way

# Development Objective

- ▶ The development objective of the HCBM is to provide a more **equitable** and **sustainable** model of doing business that will pursue inter-generational and intra-generational equity as well as shared prosperity and inclusive economic growth
- ▶ The new Model will have a primary impact on employment and work conditions, local communities and the environment, but also a secondary impact on other enterprises in the supply chain
- ▶ The new Model should be flexible so to be adaptable to both developed countries and low and middle-income countries

# Accomplishments (1/2)

- ▶ **Partnership**: during the last 12 months we were able to convene **over 40 partners**, organized in 6 different pillars
- ▶ **Concept Note**: a concept note was developed as working document that contains the key elements of the project and annexes with details on specific issues. It has been the base of the formal project proposal
- ▶ **Inputs from partners**: under the leadership of the respective leader/s, each pillar has provided extensive inputs and indicative budget figures that has been used for the development of the formal project proposal
- ▶ **Reach-out and Fund Raising**: a number of development actors and donors have been approached to scout their interest
- ▶ **The French Ministry of Foreign Affairs has provided seed funding** for the development of the project in July 2016
- ▶ **Development of project proposal**: Ms. Karen Ann Widess has been contracted as consultant for the development of the proposal. The complete project proposal was finalized in November 2016

# Accomplishments (2/2)

- ▶ **Guiding Principles**: a very first draft matrix of principles has been produced and circulated among partners for comments. The matrix includes a preliminary list of principles of economic sustainability, right-based principles, environmental principles and, ethical/moral principles broadly agreed and embedded in international legal instruments, e.g.:
  - ▶ not complicity in human rights abuses;
  - ▶ remuneration that ensure dignified life for the worker and family;
  - ▶ healthy conditions of work;
  - ▶ equal pay for equal work;
  - ▶ prohibition of forced labor, slavery, human trafficking and child labor;
  - ▶ non discrimination respect of employment and occupation;
  - ▶ Etc.

# Outputs

- 1) Worldwide Inventory of "good practices" from initiatives relevant to the HCBM
- 2) Draft the theoretical Model
- 3) Globally validated final version of the HCBM
- 4) Dissemination of HCBM, indicators, innovative solutions and explanatory materials to interested parties

# Main Pillars

- ▶ The Model will be structured along the lines of **six pillars** to be developed under the intellectual co-leadership of two or more partners, with the involvement of other partners and/or experts
- ▶ The pillars will develop: 1) a set of guiding principles common to all Human Centered Enterprises, 2) legal and corporate governance options coherent with the principles, 3) suitable forms of financial instruments, 4) elements of enabling fiscal regime, 5) procurement policies, and 6) specific forms of capacity building/mentoring support
- ▶ The theoretical Model will be available for **voluntary adoption** and, to be sustainable, will require a supportive **legal regulatory and policy framework**

# 1) Guiding Principles (1/2)

The Guiding Principles are at the basis of the Model and will guide the entire development of the other pillars.

These core principles should be identified among **existing**:

- ▶ economic, social and environmentally sustainable development policy goals
- ▶ right-based principles largely agreed upon by the international community
- ▶ ethical principles



# 1) Guiding Principles (2/2)

The development of this pillar includes:

1) **Inventory and selection** of the relevant existing international and regional legal instruments and principles on sustainable development and of CSR policies and principles voluntarily adopted by the private sector to regulate business conduct

2) **Elaboration of the building principles:**

*Essential Principles*


*Optional Principles*

*Principles of immediate realization*

*Principles of progressive realization*

3) **Elaboration of performance indicators** to measure the company's achievement of each guiding principle (both essential and optional principles). The enterprise performances in each indicator will impact the financial instruments' access, as well as, the eligibility of fiscal regime and public procurement conditions

## 2) Legal Framework and Corporate Governance (1/2)

- ▶ **Legal Framework:** the Model's application will require - depending on different legal, socio-economic and cultural environments - either the adaptation of existing legal entities or the introduction of new ones,
- ▶ **Corporate Governance:** Elaboration of innovative corporate governance schemes that can ensure the pursuit of goals other than profit (e.g. evolved agency-cost theory).  Social and environmental interests are no longer “third/external” interests that managers *may* consider to increase their profit (e.g. to increase sales or reduce liabilities, as may happen through CSR techniques) but are proper corporate goals, as well as profit sustainability, and managers have consequently to strive also for them, in compliance with their duties of administration.

## 2) Legal Framework and Corporate Governance (2/2)

### Development of **several alternatives of governance**

- ▶ to be suitable to different business sizes, sectors, socio-economic and legal environments
- ▶ with common characteristics (including participatory, democratic, transparent, ethical and accountable model)
- ▶ supported by compliance and monitoring strategies to control the fulfilment of the legal model within the corporate governance

### 3) Finance

- ▶ Identification of innovative financial instruments that will ensure the financial sustainability of the Model, by developing **new instruments** and/or adapting **existing instruments**
- ▶ Such mechanisms may include:
  - ▶ New roles for the public sector, the private sector, and the non-profit sector
  - ▶ Simplified access to debit and risk capital (revision and simplification of current forms of access to finance); revolving funds; in-kind contributions through pro-bono support for the start-up phase; re-investment of net profits
  - ▶ Financial “matching” where public entities match the financial contribution of shareholders as incentive to long-term private investors
  - ▶ Etc.

## 4) Fiscal

- ▶ The fiscal regime should be **consistent with the performances** in terms of:
  - ▶ profitability
  - ▶ social sustainability
  - ▶ environmental sustainability
  - ▶ ethical and human rights fulfilment



**Better performances should get more favorable fiscal conditions because of the positive social and environmental impact**

## 5) Procurement

- ▶ The **Corporate procurement** is expected to abide by the highest legal and ethical standards. Business relationships should take into consideration suppliers' compliance with the Human-Centered Business Model principles
- ▶ **Preferred procurement**
  - ▶ based on the guiding principles' performances, the new business Model may be granted selective preferred procurement conditions with the public sector (e.g. *Green Procurement*);
  - ▶ *ad hoc* mechanisms of preferred procurement could be developed in dealing with other enterprises in the private sector

## 6) Capacity Building and Mentoring Support

Human-Centered Enterprises should develop an effective **interaction with local stakeholders**, such as:

- ▶ Academia for capacity building in the areas of business planning, marketing, accounting, budgeting, ICT, legal, and financial literacy
- ▶ Professional Associations for pro-bono legal support during the start-up phase
- ▶ Retirees for furthering forms of mentoring support through knowledge transfer from outgoing workers to new workers or apprentices
- ▶ Etc.

# Who will be interested in the HCBM?

## - Piloting the Model -

- ▶ The HCBM is addressed particularly to those enterprises that without the Model would be plain for-profit enterprises (creation of new enterprises) or not-for-profit. However, the Model will also be suitable for, among others:
  - ▶ Enterprises, businesses, and assets that have been captured by organized crime;
  - ▶ Companies that are established as a result of bankruptcy, reorganization procedures and government bailout proceedings; and
  - ▶ State-owned enterprises, PPPs.
- ▶ Finally, many companies, including large for-profit corporations, may be interested in piloting the Model through their subsidiaries for reputational concerns; improved or increased presence in a specific market; learning; etc.



# Thank you for your attention

For comments and suggestions:

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