

# Inclusive Business CHECKLIST



## Is your inclusive business investment-ready?

Many inclusive businesses seek external investment to finance their working capital or business growth. But some under-estimate just how 'ready' and robust they need to be to secure investment. This document provides an initial checklist of things to consider, to assess whether your business is ready to attract investment.

Investors will ask searching questions before committing funds to an inclusive business. Having a great business idea is simply not enough. To secure external investment, a business will usually need to address the items below. If you can demonstrate that you have these in place, it may help you speed the process and achieve more success in attracting investors.

Commercial banks are often not equipped to provide finance to inclusive business. A new asset class, known as Impact Investment, has emerged in recent years. As Impact Investors seek a combination of social and financial return, they are often seen as a solution for inclusive businesses. But it is a mistake to believe they will be less rigorous than mainstream investors. Whoever the investor, stringent due diligence is to be expected.

Inclusive businesses will have to exhibit all of the features of a well-run investable company in order to secure the financial input that they need. They also need to be able to communicate the strengths of their business model to potential investors in a succinct and convincing manner.

The following Checklist outlines the criteria which an investor will apply and the elements that the business will need to have in place.

**Structure:** Investors will need evidence that you have a solid company structure in place.

### Do you have the following?

- A well-defined commercial remit
- Shareholders agreement
- A stable board including experienced non-executive directors
- Management with a proven track record and necessary qualifications
- Undisputed share ownership
- Clear separation from any parent NGO or charities
- Industry-standard Memorandum and Articles of Association ensuring limited liability
- An organogram illustrating roles and responsibilities
- Details of protection relating to relevant intellectual property rights and patents
- A human resources plan and policies

**Inclusive Business Checklists** provide a quick and simple way to determine how effective an idea, tool or model might be for your inclusive business project. They can be used by inclusive business practitioners, to develop and scale up business strategies. They are based on the real-world experiences of companies actively expanding opportunities for people at the base of the economic pyramid through their core business activities.

**Financials:** Investors will require a full set of financial records.

**Do you have the following?**

- Audited accounts
- Verifiable record of paying taxes, licences etc
- A financial model – including projections for up to three years
- A strong cash flow
- Absence of debts
- Working capital
- Government grants
- Investment capital
- Adequate insurance cover

**Market:** You will need to show that you understand the market and your place in it.

**Have you undertaken market analysis that covers the following?**

- Market demand for products
- Pricing
- Competition
- Unique Selling Propositions
- Product development plan
- Details of strategic alliances or partnerships
- Distribution channels

**Have you developed a sales and marketing strategy?**

- Pricing strategy
- Distribution Channels
- Use of web, telesales and advertising
- Sales force

**Triple Bottom Line:** An impact investor will want clear evidence of the expected social impact of the inclusive business.

- Have you evaluated the social costs and benefits?
- Have you carried out an Environmental Impact Assessment?
- Do you have a system for tracking the impacts?

➔ **For further information and more resources on inclusive business visit the:**  
[www.inclusivebusinesshub.org](http://www.inclusivebusinesshub.org)

**The “sell”:** You will need to provide evidence of a solid business plan.

**Do you have the following?**

- Sufficient size of deal to justify transaction costs (e.g. >\$250k)
- A professional-looking Business Plan
- A compelling pitch for Investors (including a concise “elevator pitch” (the 30 second ‘sell’ that would secure interest before the elevator doors open again))
- Risk analysis showing mitigating factors
- A Non-Disclosure Agreement
- Legally-compliant Information Memorandum
- Readiness to sell equity
- Exit Options (duration, terms etc) which will be considered realistic by investors

**Additional Resources**

Our Database of Financial and Technical Support for Inclusive Business provides a list of over 200 organisations that offer financial and/or technical support: <http://bit.ly/ib-support-database>

A helpful glossary of business terms can be found at: <http://articles.bplans.co.uk/business-term-glossary>

**IMPACT INVESTING RESOURCES**

**Useful Websites:**

Global Impact Investing Network [www.thegiin.org](http://www.thegiin.org)  
Asia Impact Investing Network [www.asiaiiix.com](http://www.asiaiiix.com)  
Monitor Institute [www.monitorinstitute.com/impactinvesting](http://www.monitorinstitute.com/impactinvesting)  
European Development Finance Institutions [www.edfi.be](http://www.edfi.be)

**Relevant Reports:**

UN Global Compact (2011), *A Framework for Action: Social Enterprise and Impact Investing*  
[http://www.unglobalcompact.org/docs/issues\\_doc/development/Framework\\_Social\\_Enterprise\\_Impact\\_Investing.pdf](http://www.unglobalcompact.org/docs/issues_doc/development/Framework_Social_Enterprise_Impact_Investing.pdf)  
O’Donoghue, Nick et al (2010), *Impact Investments: An Emerging Asset Class*, JP Morgan/Rockefeller Foundation  
<http://www.thegiin.org/cgi-bin/iowa/resources/research/151.html>  
Dalberg Global Development Advisors (2010), *Impact Investing in West Africa*, Dalberg, Copenhagen



This Checklist was drafted by Kieran Archer of Challenges Consulting. It is based on work undertaken for ‘access to finance’ projects supported by the Business Innovation Facility in Zambia and Bangladesh.

Challenges Consulting, which is part of the Challenges group ([www.challengesworldwide.com](http://www.challengesworldwide.com)), provides business consulting and mentoring for inclusive businesses in developing countries



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