

Inclusive Business CHECKLIST

Business
Innovation
Facility

innovations
against
poverty

Developing Inclusive Business



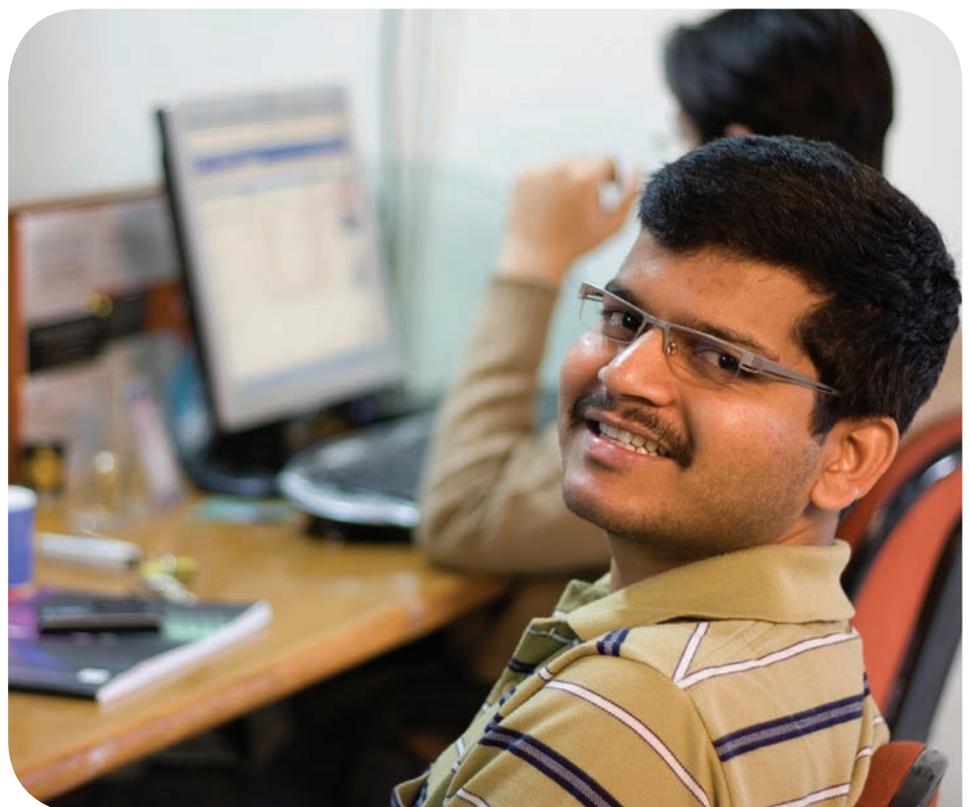
Is your company adequately prepared to develop an inclusive business model that will succeed?

Inclusive business can help companies spur innovation, develop more effective operations in emerging markets, and, ultimately, drive new sources of profitability and competitiveness. However, these gains are rarely achieved by companies approaching the opportunity with a 'business as usual' mindset.

Generating commercial return from activities that engage the base of the pyramid (BoP) often require creative solutions that come with increased risks or higher initial transaction costs. These include new systems, partnerships or technology to develop, different markets to understand, new risks to appraise and different economies of scale to capture. Companies who are not prepared for these challenges can waste time and money and may miss out on opportunities all together.

This checklist lists the elements that companies who are considering an inclusive business project need to take into account. The first section covers the elements to think about before you get started: "How ready are you?". The second covers the inclusive business project itself: "How robust is your model?".

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.



Is your company prepared to develop a successful inclusive business model?

Inclusive business models will not succeed without an internal environment supportive of their development and implementation. Evaluating your company's capabilities at the outset helps ensure that your inclusive business investments will pay off.

Company environment

Understanding and awareness of the opportunity: Do we have...

- Clarity on the nature of the inclusive business opportunity?
- Awareness within the company of inclusive business as a true commercial option?
- Knowledge of what exists elsewhere, and what others are already doing?

Leadership: Do we have...

- Sufficient buy-in within the company to proceed despite competing priorities?
- Support from the top for innovation from the bottom and permission to take risks and learn from failures?

Resources and Capacity: Do we have...

- Clear understanding of resources needed and a go-ahead to invest?
- The skills and experience in-house or amongst our existing associates?
- Access to training to develop the necessary skills?
- The ability to partner with others with complementary skill-sets?

Culture and process: Do we have...

- An organisational culture that will embrace innovation at the base of pyramid?
- The capacity to work across teams and departments to make it happen?
- A long-term mindset rather than expectation of a quick return?
- Procedures and systems that will enable engagement with the informal sector?
- Systems that will be able to monitor results of this kind of business activity and feed results into adaptation of the model?

Analysis of implications for the brand: Do we have...

- An understanding of the reputational risk associated with combining profit with a development-oriented approach?
- A strategy to ensure that the inclusive business model does not dilute the existing brand by confusing upper and lower market segments?

Sanergy's innovative business model aims to improve sanitation and waste management for urban slum-dwellers in Kenya.



Is your IB model robust enough to succeed?

An enabling company environment is important, but that alone will not guarantee success. Inclusive business models must be robust enough to handle the challenges and tailored to the specific segment of the BoP that the company is engaging.

A robust business model

BoP Consumers: Do we have...

- Pricing and packaging for consumers with limited cash flow?
Have we considered teaming up with finance providers?
- A cost-effective distribution channel that goes the last mile to poor dispersed consumers?
Have we considered leasing/rental instead of purchase, or buying into distribution networks of microfinance organisations, utility companies or mobile phone operators?
- An ability to accurately gauge potential demand: not what we think they need, but what they actually want and will save and pay for?
Have we considered doing market research and product adaptation by engaging directly with BoP households?
- A plan to prevent cannibalisation of existing markets as customers switch to lower priced versions?
Have we considered channels or product characteristics that clearly distinguish market segments?

BoP Producers/Entrepreneurs: Do we have...

- Access to a cost-effective purchasing system for buying sufficient volume and quality from disaggregated producers?
Have we considered working with cooperatives, market networks, and rural champion farmers/entrepreneurs?
- An invoicing system that will be robust in the face of variable quality, dispersed and informal purchases, and potential leakage?
- An ability to develop longer term relations with producers not just spot transactions based on price?
Do we understand their drivers? Have we considered offering insurance, sharing risk with producers, using contracts to set long-term expectations, or boosting access to finance or training?

All Inclusive Business Models: Do we have...

- New market opportunities created by some policy, regulatory or international shift?
- A regulatory environment that will enable the IB idea to operate?
- Access to finance for producers and consumers to facilitate their engagement?
- Sufficient services in the business ecosystem to provide end-to-end support for the goods or services the BoP will produce or buy?
- Reliable infrastructure in place necessary to power, transport and communicate this business?
- Sufficiently low legacy and overhead costs to make the pricing model viable?
- Feedback loops from the BoP that will enable the business model to adapt and improve?



An 'Aparajita' ("woman who does not accept defeat") working with Jita, a company founded through an inclusive business project in Bangladesh

“Fear to fail is a barrier. Innovative processes have to create trust. And you have to be prepared to stop something that isn’t working.”

Roberto Salas, *President*, GrupoNueva and CEO, Masisa

“At the end of the day, this comes down to leadership. To take the risk to go into markets and to supply chains and distribution chains which favour low-income groups and to see that as a business opportunity [not just] an act of doing good, that represents a real act of leadership and courage.”

Graham Baxter, *Acting CEO*,
International Business Leaders Forum

“Many firms have wasted time and resources trying to market products that are designed for the poor but that consumers don’t want.”

Is the Bottom of the Pyramid Really for You?”

Harvard Business Review, 2011

Further reading on developing inclusive business

- 1** **Is the Bottom of the Pyramid Really for You?** (*Harvard Business Review*, 2011) discusses the challenges typically encountered when entering base of the pyramid markets and highlights strategies companies have successfully used to overcome them.
- 2** **Overcoming the Barriers to Inclusive Business Growth** (*Business Call to Action and International Business Leaders Forum*, 2010) highlights the challenges large companies face when integrating inclusive business initiatives into core business functions, and identifies potential solutions based on the experiences of Coca-Cola, Pfizer, Vodafone and others.
- 3** **Delivering Results: Moving Towards Scale** (*Millennium Development Goal Summit*, 2010) reports that the number of inclusive business ventures is at a tipping point and identifies eight main focus areas that will prove essential to increasing the number of inclusive businesses operating at scale.

This Checklist was drafted by Caroline Ashley of the Business Innovation Facility and Innovations Against Poverty. It is based on recent analysis and experience of developing inclusive business in both programmes. Other Checklists and related publications can be found in the [Resource Gateway](#) of the Practitioner Hub.

→ For further information and to view other Checklists, go to:
Practitioner Hub on Inclusive Business: www.businessinnovationfacility.org

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