

ENHANCING VALUE THROUGH INCLUSIVE BUSINESS STRATEGIES

NEW YORK 21.09.2011

ENCOURAGING, EXPANDING AND SCALING UP EVENT REPORT



INTRODUCTION

On 21 September, 80 high-level representatives from Business Call to Action (BCtA) member companies and partners gathered for an invitation-only workshop to discuss ways to encourage, expand and scale up inclusive business models. This report captures key insights and recommendations from the event.

Inclusive business offers the potential for development impact along with commercial success by integrating the poor into corporate value chains as producers, suppliers, distributors, consumers, and employees.

Today, companies from many industries are adopting these models as a means to seize new market opportunities and potentially improve competitiveness, increase productivity, reduce costs and decrease supply chain inefficiencies in

the long term. While excitement about inclusive business is high, successfully developing, expanding, and scaling up these initiatives can be challenging. The BCtA therefore sought to bring together leading experts and proponents of inclusive business to learn from each other's experience and expertise, and identify opportunities to enhance the value of inclusive business through the sharing of new innovations and best practices.

KEYS TO SUCCESS

Inclusive businesses are more likely to succeed when supportive conditions exist. An inclusive business ecosystem – a community of interconnected stakeholders including government, civil society and other business actors – is critical to helping pro-poor business approaches reach scale. To underpin this ecosystem: Leadership is needed to drive

inclusive business models within a company; appropriate market analysis is instrumental in ensuring a business model adequately addresses needs; enabling technologies may be helpful in reducing transaction costs; and partnerships between businesses and other stakeholders can help reduce risks and plug resource gaps.

“Building profit-seeking businesses designed to serve poor consumers should not be considered a taboo. These businesses work best if they seek to create value with the base of the pyramid, which in the end can enrich lives while generating economic returns.”

Ted London, Director of the Base of the Pyramid Initiative, University of Michigan Ross School of Business

LEADERSHIP

Instilling a culture of inclusive business in a large company historically focused on serving developed markets is not easy. These types of initiatives require space to innovate, buy-in from the top, as well as access to patient sources of finance.

Companies that have not traditionally operated at the base of the pyramid (BoP) may have to undergo internal change processes that encourage innovation and risk-taking. This could include, for example, creating a special BoP unit within the firm or establishing performance reward mechanisms that incentivize managers to

think outside of the box about new market opportunities.

CEOs and senior executives have a crucial role to play in supporting a culture of innovation within their companies. Buy-in from the top helps create the conducive environment in which 'intrapreneurs' are encouraged to look beyond short-term returns to longer-term business opportunities with the BoP. A lack of senior management support or flexible timelines makes it difficult to get inclusive business initiatives off the ground and achieve goals.

MARKET ANALYSIS

In most developed markets, a company will spend a significant amount of time doing research about what a target customer or population needs or wants from a product. When attempting to work at the BoP, companies need to take the same approach. It would be unwise to assume that "the BoP is the same everywhere", without understanding the complexities and differences of low-income communities around the world.

Market analysis does not end at the start of business model implementation or at the launch of a new product or service. It is crucial to develop appropriate metrics that most effectively capture the full impact of inclusive business initiatives, including financial and social impacts. Needs change, and the right metrics can help a company to capture, understand, anticipate, and adapt to these changes.

"Getting hard data at the bottom of the pyramid is expensive and time consuming. ... but at the same time critical to show impact. It is important to partner with other organizations to cost effectively collect and analyze this data."

Sameer Mithal, Executive Vice President, WaterHealth International

ENABLING TECHNOLOGIES

Technologies that help to enhance communication or enable greener energy production, for example, can often be applied to help plug knowledge and skills gaps, create business process efficiencies, and reduce transaction costs in inclusive business models. Using these enabling technologies, companies can leapfrog huge capital investments in infrastructure and build on existing, cutting-edge platforms.

User-centered design is crucial to the successful application of any technology.

By working with local technology providers (or a single provider operating in multiple geographic areas), companies can help to ensure that solutions are localized to meet the needs and habits of a target customer base. Target users should be included in the development phase of new technologies. Training is another important component when introducing new technologies, as there is often a gap between technology and skills and capabilities.

“You have to work with people to see how to implement the technology, working out what it can do and can’t do, and also what the need is.”

Malcolm Lane, Director Corporate Affairs, Tata Consultancy Services

PARTNERSHIPS

Through partnerships companies can access the necessary resources, knowledge and networks needed to make an initiative a success. They can also help companies to address systemic challenges or constraints in an integrated way, thus avoiding a costly duplication of efforts and maximizing resources and expertise.

Companies are increasingly joining forces with each other and collaborating to identify and achieve common inclusive business objectives. Collaboration may include: business-to-business partnerships that serve to bridge gaps or improve access

to products or services; alliances through which companies work together to target deficiencies within a value chain (e.g. lack of skilled workers, unreliable supply); or coalitions among a group of companies who use their collective influence to transform markets (by insisting on improved standards, a better enabling environment, etc.).

These types of collaborations can provide the catalyst needed to help mainstream inclusive business practices, by addressing inefficiencies that might otherwise prevent a company that is acting alone from expanding or scaling up a business model.

“Business must collaborate between sectors and industries. Coalitions of like-minded, successful networks are increasingly the way to go. The CEO Water Mandate and Caring for Climate are such examples.”

Georg Kell, Executive Director, UN Global Compact

LOOKING AHEAD

Business Call to Action (BCtA) member companies are advancing the inclusive business agenda by innovating new models, sharing lessons learned, and forging new partnerships to improve effectiveness and increase scale of impact. Today, 38 companies have made commitments to provide more than 18 million people with access to financial services, 25.5 million with improved health care, and 8 million with enhanced nutrition through initiatives that leverage core business operations. Our goal is to have 50 members by end of 2011 and 100 by 2015.

Going forward, the BCtA is dedicated to supporting its member companies by:

Developing Tools and Resources that Support Implementation.

BCtA’s new resource guides provide members with links to information, like-minded associations, and potential sources of funding for inclusive business in key topic areas. BCtA will collaborate with key partners to build on and expand these guides, identify new focus areas, and develop additional tools.

Collecting Results to Improve Practice and Make the Case for Inclusive Business.

BCtA companies are required to report annually on progress toward meeting their original commitments. BCtA uses this data to develop and update company case studies,

identify potential showcasing opportunities, and articulate to media, governments, and others in the development community how companies are creating sustainable solutions to development challenges. BCtA will continue to seek feedback from companies and partners on its results framework to ensure that we develop and capture appropriate and effective metrics, and provide value-adding opportunities for disseminating results.

Sharing Knowledge and Creating Linkages.

The BCtA will continue to seek out new and innovative ways for members to exchange best practices and identify new opportunities in the inclusive business space. The BCtA webinar series is one way in which member companies can share experiences, and learn about new tools and resources. Practitioner workshops that bring together leading experts and practitioners in specific regions are planned to take place in India, South Africa, Brazil, London and New York in the coming year. And in response to expressed interest, the BCtA will look into developing working groups for member companies on focused topics of interest (e.g. scaling, opportunities in a particular sector, etc.). It is envisioned that these working groups could be convened at regularly scheduled BCtA events or via webinars throughout the year.

