

SPOTLIGHT

on Inclusive Business

How we track results from the Business Innovation Facility portfolio

The Business Innovation Facility's approach to the monitoring and evaluation of inclusive business projects

A growing number of companies are starting and scaling inclusive business models – profitable core business activity that also tangibly expands opportunities for the people at the base of the economic pyramid (BoP): as producers, suppliers, workers, distributors, consumers – or even as innovators.

The Business Innovation Facility directly supports these companies through a mix of advice, facilitation and technical assistance.

The monitoring and evaluation (M&E) of the Business Innovation Facility's project portfolio is vital. It is important because:

- companies and the Facility are able to learn 'as they go' and adapt their activities accordingly
- there is accountability and understanding on the use of, and returns on, donor funds
- broader insights on starting and scaling inclusive business models can be captured and shared with the wider inclusive business community

The results of inclusive business models can take time to show and can sometimes be difficult to track. Accordingly, the scope of the Facility's M&E is fairly wide and is designed to track both commercial returns and social impacts over the three year life of the pilot, and wider lessons learned.

Commercial returns

New inclusive business models take time to reach profitability, so the Facility will monitor a variety of indicators of commercial viability and trajectory

towards scale. These include financials (for example; profit, break-even and investment) and changes in the drivers of business growth (for example; customer base and quality of supply).

Social impacts

Direct impacts on people at the base of the economic pyramid are tracked as 'how many people does the project reach?' and, ideally, 'how are they engaged or affected?'

Overall results, both commercial and social, will depend on the sustainability of the business. The more commercially viable and scalable business models will ultimately reach and benefit more people. Ventures might not all go to scale within the lifetime of the Facility, but trajectory towards scale will be tracked.

Systemic change is also important: changes in how wider markets or other businesses operate. While systemic change will be largely unquantifiable, this type of change is important to track, using qualitative information and anecdotal evidence.

Company reporting

The Business Innovation Facility's approach relies heavily on information provided by companies and by providers of technical assistance at three milestones:

1. **An Initial Baseline** – at the start of support
2. **A Progress Report** – at completion of support
3. **An Update Report** – completed 12 months after the Progress Report.

“Some programmes are just too intellectual. What you have done today gives me confidence that you are practical.”

Company feedback on the Business Innovation Facility baseline process in India

Since the inception of the programme, the M&E emphasis has shifted away from the completion of standard forms towards more personal interaction. For example, baseline workshops are used to discuss what will count as success and how this can be tracked. A few universal indicators apply across all projects (e.g. profit, beneficiaries by gender) but project-specific indicators are also chosen. These tally better with the company's own key performance indicators (KPIs).

The scale of M&E is subject to conflicting pressures from stakeholders: the Facility wants lessons from the projects, donors want evidence of results but companies need low transaction costs of Business Innovation Facility support. The Facility has adapted its approach to M&E to respond to these inherent pressures and build a bridge between the expectations of the different stakeholders.

Inclusive Business Spotlights shed light on specific topics concerned with the development of inclusive business. They are generated from the project and advisory work of the Business Innovation Facility.

Competing pressures

Reasons for more M&E

- Donor expects comprehensive results tracking
- Strong evidence on the results of inclusive business is needed
- Long causal chain (from intervention to impact) requires broad scope of M&E

Reasons for less M&E

- M&E can be a burden for companies, diverting from business focus
- Principle of proportionality argues for small M&E per project

The Business Innovation Facility Approach

Be thorough, but be realistic

- Supplement company reporting of results with information from Technical Assistance Providers and Country Programme Managers
- Select key projects for deeper assessment at year three
- Use early M&E information to clarify what kind of results and data can be expected over time. Use this information to manage the expectations of all stakeholders.

Be more useful than burdensome

- Make M&E as useful as possible to companies: e.g. interactive workshop to establish baseline - 'What does success look like?'; offer support to strengthen business KPIs
- Make M&E easier where possible; e.g. use of checklists, use of existing company data
- Integrate M&E with existing company and Facility performance management, to avoid duplication.

Learning from experience so far

1 M&E is often a 'tough sell'

M&E proves to be useful for all stakeholders involved but is initially difficult to sell. Feedback from companies on our M&E process is very positive; however, initial hesitations still remain relatively high.

2 Use business language with business

M&E is an area where the language differs remarkably between the private sector and donors (e.g., "Results and Key Performance Indicators" vs. "monitoring and evaluation, output, outcome, impact").

3 Exchange then tailor M&E approaches

Drawing on the approaches and templates of other programmes was invaluable for the design of the Facility's M&E. But no 'off-the-shelf' framework exists and adaptation to specific programme objectives is needed.

4 Traditional M&E is not well suited to inclusive business

Classic donor impact assessment is not well suited to projects that facilitate inclusive business: appetite for risk means no failures would be a bad sign; support is catalytic not controlling, so results are variable and unpredictable; some results are commercially sensitive; there is no control group for comparison.

5 Set realistic expectations on what can be measured

Reliance on company reporting has its limits, and generally will deliver less than donors would expect, particularly about BoP impacts. Most inclusive business projects report numbers of BoP people reached, but even that can be hard, while quantifying how much they gain is rare. Thus either a programme's expectations have to be less ambitious or the approach has to be supplemented with additional M&E beyond the direct reporting by companies.

6 Be big, light or useful

Given the risk of burdensome M&E, a donor programme needs to be big enough to impose and warrant heavy demands; or M&E needs to be light and easy to do; or it must be useful to the client. The Business Innovation Facility seeks a combination of useful and light.

7 Time lag until results creates challenges

Measurable results may well come after a three year time frame. So donor projects with a limited lifespan will capture limited results.

8 Go beyond the immediate results

Go beyond profit per year and number of people reached. Assess long-term commercial goals and systemic changes in markets and business practice.

9 Expect divergent results

High variability between projects should be expected. Average results hide a fair share of virtual failures, a bulk of 'steady trenders' and a sprinkling of winners.

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For further information and to view other Spotlights go to:

Practitioner Hub on Inclusive Business: www.businessinnovationfacility.org

Join the Impacts Network to connect with others and discuss emerging lessons about the impacts of inclusive business and how to measure them.

<http://businessinnovationfacility.org/group/inclusive-business-impacts-network>

View related resources on Measuring Impact in the Resource Gateway

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