

SPOTLIGHT

on Inclusive Business



What is Inclusive Business?

The term 'inclusive business' refers to 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.

Inclusive business is part of commercial business operations. It is not a separate 'add-on' like philanthropic activity or corporate social responsibility (CSR) programs. It is a way of achieving typical business objectives, such as growth, supply security and market share. At the same time, inclusive business models are often highly creative solutions, finding ways to generate commercial return from activities that reach out to people at the base of the global economic pyramid.

Innovation is often achieved through engagement with non-traditional business partners such as producer associations, non-profits or unconventional business-to-business partnerships that enable stakeholders to pool financial investment, skills, networks and technologies.

Virtually any business – not just that which is labeled 'inclusive' – can help a country develop, whether through taxes, employment, or technology transfer. But inclusive business goes further – buying from, or selling to, substantial numbers of people with low income to expand their opportunities. Much inclusive business activity also contributes to low carbon and climate-resilient growth.

Why is inclusive business so exciting?

For business leaders, inclusive business can spur innovation, develop more effective operations in emerging markets, and ultimately drive new sources of profitability.



For those promoting development, inclusive business offers the potential to scale up solutions. When a pro-poor intervention depends on grants, its scale is limited by funds and donor decisions. When a pro-poor opportunity is also a business opportunity, it can grow, evolve, and adapt in new markets. With the right creative drive, commercial impetus can reach thousands, if not millions, of disadvantaged people in the developing world. In this way inclusive business speeds up efforts to reduce poverty.

Why does inclusive business need support?

Over time, an inclusive business must deliver commercial returns, whether in the form of profits, market share or strategic security. But despite these returns, investment in inclusive business may be too low because – compared to other options – there are higher risks or higher initial transaction costs. These include new systems or technology to develop,

different markets to understand, new risks to appraise, costs and time of training, and different economies of scale to capture. The process of innovation is still at an early phase, and we are all learning as we go.

Our purpose is to help reduce these transaction costs, and speed up the process of learning from each other, to hasten and scale up development of inclusive business.

What is the role of the Business Innovation Facility and Innovations Against Poverty?

The Business Innovation Facility (BIF) and Innovations Against Poverty (IAP) both support the development of inclusive business, though in different ways. We particularly focus on business ideas that use lateral thinking and innovation to develop business models that combine tangible commercial returns and development impacts. BIF provides technical assistance to overcome bottlenecks, while IAP provides finance in the form of grants.

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 and Innovations Against Poverty.

Different types of inclusive business models

Inclusive business is proving hard to categorise. There are examples across the sectors, from start-ups to multinationals, and from social enterprises to blue chip corporates. Innovation is no respecter of boundaries, but three broad categories help draw some distinctions:

1 BOP participation in inclusive value chains

Approach: Develop or adapt existing supply and distribution chains in ways that increase the participation of low-income producers, suppliers, workers, traders, distributors, or vendors.

Example: The Nigerian start-up AACE Food Processing & Distribution Ltd is developing a value chain that sources fruits and vegetables locally, and processes them into food products for the domestic market. Farmers gain access to markets and more predictable sales, while micro-distributors and employees gain livelihood opportunities.

2 Product Innovation for hard-to-reach consumers

Approach: Develop new, or adapt existing products and services to meet the wants and needs of low-income consumers; enable greater access to these products and services in underserved markets in urban and rural areas.

Example: The mKRISHI initiative offers personalized and integrated services in local language to farmers through their mobile phones. Farmers in remote areas are able to access good quality agricultural inputs and get information on market prices, weather, and other essentials for improving yields.

3 Environmental Sustainability

Approach: Create low carbon, climate-resilient businesses that help business and communities adapt to a changing environment.

Example: HiNation's business venture aims to provide rural populations in Zambia with solar lighting and mobile phone charging by distributing a solar powered lighting and energy source. Only 20 per cent of Zambia's population have access to electricity, so currently mobile phone users have to travel and pay to charge their phones at kiosks or shops, usually from a car battery or generator.

Evolution of the term 'Inclusive Business'

Notions of how business can play a role in poverty reduction have changed, with the focus shifting from purely philanthropic interventions to ways to adapt commercial practice, and from 'do-no-harm' responsible practice to strategies that optimise positive returns for business and development.

The emergence of core business approaches to enhancing development impact comes along with an array of terminology for business that is responsible, sustainable, inclusive, pro-poor, high-impact, win-win, or triple bottom line. 'Inclusive business' is the term we use. It is already in use by the World Business Council for Sustainable Development, United Nations Development Programme and Netherlands SNV. Our focus is not on the fine lines of definition, but on how to encourage innovation, turn ideas into practice, and turn pilots into business models that work at scale.



The Business Innovation Facility and **Innovations Against Poverty** support companies as they develop or grow inclusive businesses. The Business Innovation Facility provides technical support and Innovations Against Poverty provides financial assistance. Inclusive business is profitable, core business activity that also expands opportunities for people at the base of the economic pyramid: either as producers, suppliers, employees, distributors, or consumers of affordable goods and services.

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

We welcome feedback on our publications – please contact us at enquiries@businessinnovationfacility.org