

Corporate  
Citizenship

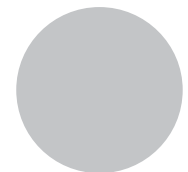
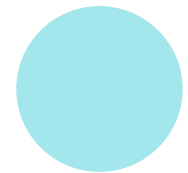
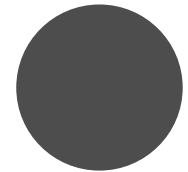
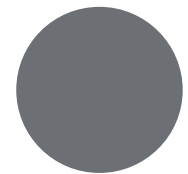


*Sustainability, simplified*

# Inclusive Business

## – The Next Frontier for Corporate Responsibility

Corporate Citizenship Knowledge Series  
26<sup>th</sup> June 2012



# What is Inclusive Business?

- Inclusive Business is widely defined as:

*“Profitable core business activity that expands opportunities for the marginalised and disadvantaged. These business models engage the marginalised as employees, suppliers, distributors or consumers.*

*As such, Inclusive Business is not philanthropy, rather it profitably expands economic and social opportunities in a variety of ways.”*



# A Changing Landscape

- Increase in **collaborations between the private and non-profit sectors**.
- **Multi-stakeholder initiatives** to address industry challenges.
- Growth of development agencies' **funding mechanisms** of Inclusive Business initiatives.
- **Inclusive Business remains a leading edge.**



# Research Project

- Focus on multinational companies' Inclusive Business models in developing markets.
- Analysis of Inclusive Business interventions across the whole value chain.
- In-depth interviews with multinationals, intermediaries and experts, including **Interface**, **Heineken**, **PepsiCo**, **IFC**, **USAID**, Professor **Stuart Hart** – Cornell University.
- Focus areas: motivations and drivers, organisational issues, the role of partnerships, financing, profitability and challenges.



# Drivers and Business Benefits

**New Markets**

**Innovation**

**Cost Reductions**

**Access to raw materials**

**Brand Reputation**

**Differentiation**

**Secure position**

**License to operate**

# Financing and Profitability

*“Any Inclusive Business project is doomed to fail if one has the same profit expectations as ‘traditional’ product development” – Stuart Hart*

- Still low level of investment going into Inclusive Business models.
- Investment in local sourcing models have a longer track record than investments in product and service innovation.
- Companies generally unaware of funding opportunities.
- Need of ‘patient capital’: longer time horizons, significant development impact in exchange of maximised return.
- Profitability – success stories still remain few.
- Time frame 3-5 years?

# Challenges

- Acquiring market knowledge
- Establishing local networks
- Marketing channels - need to adapt to local market conditions
- Distribution channels - challenging operating environments with weak infrastructure
- Capacity-building
- Scalability



# The Way Forward

- Here are a number of steps for companies to explore and build Inclusive Business models:
  - ✓ Assess opportunities across the value chain and identify where social and economic benefits can be enhanced.
  - ✓ Focus on core competencies and strengths.
  - ✓ Decide on commercialisation of the business model early on.
  - ✓ Explore partnerships and funding opportunities.
  - ✓ Leverage the skills and expertise of your CSR department.