Inclusive Business Models
at the base of the pyramid

TOOLKIT
A compilation of key tools and reference documents

In the framework of an Enterprise 2020 collaborative project gathering:
TABLE OF CONTENT

• Executive summary
• Leaders and partners
• What is inclusive business?
• Key resources for inclusive innovation

1 Understand
   A. Raise awareness in the company and forge the vision
   B. Analyze your market
   C. Get inspiration through open innovation platforms

2 Co-Create
   A. Partner-up: Create shared vision and language
   B. Co-create innovative business models
   C. Implement inclusive innovations

3 Share and Scale value
   A. Promote access to finance
   B. Evaluate your impact
   C. Upscale and replicate success business models

• Key references
• Conclusion
EXECUTIVE SUMMARY

From 2011 to 2013, CSR Europe coordinated a collaborative project on “Inclusive Business Models. Smart, Sustainable and Inclusive Growth at the Base of the Pyramid”, in co-leadership with GDF SUEZ, IMS Entreprendre pour la Cité and Business in the Community (BITC), and in partnership with BoP Innovation Center and Global CAD.

This collaborative project was built on the idea that a lot of expertise and resources on inclusive business does exist all over Europe but still lacks visibility. It resulted in the creation of two deliverables:

- Mapping of European donor programs to support inclusive business models
- Toolkit of key tools and references

This toolkit is aimed at helping practitioners find their way through the diversity of key resources and tools developed by expert organizations on inclusive business models.

Today, a diversity of resources is offered to companies willing to implement business strategies bringing social value. They are designed to foster inclusive business models development, help companies build on the lessons learned from the experience acquired to date, and address various challenges such as:

- Identify opportunities that meet social needs
- Work closely with targeted communities
- Build partnerships with the ecosystem of actors
- Find funding streams and models
- Evaluate their economic and social impacts

The toolkit provides a simple overview of the tools and resources available, covering the different stages of development: initiation, development and scaling up of inclusive business models. Thus, it is geared towards both beginners and pioneers of inclusive business models.

This toolkit was developed by IMS-Entreprendre pour la Cité, the BoP Innovation Center and Global CAD with input and review from CSR Europe.
CSR Europe is the leading European business network for corporate social responsibility with around 70 multinational corporations and 37 national partner organisations as members. The organization was founded in 1995 by senior European business leaders in response to an appeal by the European Commission President Jacques Delors. It has since grown to become an inspiring network of business people working at the very forefront of CSR across Europe and globally.

www.csreurope.org
Contact:

GDF SUEZ is convinced that business has a role to play alongside public institutions and governments in meeting development challenges. Launched in early 2011, the initiative "GDF SUEZ Rassembleurs d'Energies" embodies the commitment of the GDF SUEZ Group for access to energy for poor people by supporting projects with high social impact. The Group provides technical and financial support to promote access to renewable energy sources and reduce fuel poverty.

www.gdfsuez.com

Created in 1986, IMS-Entreprendre pour la Cité is a business membership organization gathering over 230 companies committed to create shared value. IMS is a place to share learning & expertise about social innovation in business practices, from corporate citizenship, employment and diversity in the workplace to new business models to tackle poverty. IMS engages and supports companies in the design and implementation of "Base of Pyramid" strategies in developed and developing countries.

www.imsentreprendre.com
Contact: info@imsentreprendre.com
**Business in the Community** stands for responsible business. It is a unique business movement committed to transforming business and transforming communities. BITC inspires, engages support and challenges business to take action on priority issues, working together to create greater impact, building resilient communities, diverse workplaces and a more sustainable future. BITC works with business to deliver responsible sustainable and inclusive business strategies wherever they operate, activating their resources, transforming their business and positively impacting and transforming communities.

[www.bitc.org.uk](http://www.bitc.org.uk)

Contact : info@bitc.org.uk

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**The BoP Innovation Center (BoPInc)** accelerates the number and impact of inclusive innovations in low-income markets. Inclusive innovations serve the demand of the poor and create shared value for all stakeholders involved. BoPInc incubates innovations, shares learnings and improves the enabling environment. Together with leading companies and civil society organizations, we explore the potential of low-income markets and creates new business propositions.

[www.bopinc.org](http://www.bopinc.org)

Contact: info@bopinc.org

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**The Centre of Partnerships for Development (CAD)** promotes innovative governance systems, management and business models, to enhance inclusive and sustainable development frameworks responding to global challenges. CAD works with international organizations, government agencies, private companies and civil society organizations promoting inclusive business, cross sector partnerships, green economic models and climate change mitigation systems.

[www.globalcad.org](http://www.globalcad.org)

Contact: info@globalcad.org
WHAT IS INCLUSIVE BUSINESS?

**Inclusive business**¹: An inclusive business is a sustainable business that benefits low-income communities. It is a business initiative that, keeping its for-profit nature, contributes to poverty reduction through the inclusion of low income communities in its value chain. In simple words, inclusive business is all about including the poor in the business process be it as producers, entrepreneurs or consumers.

**Inclusive innovation**²: "Something new with sustainable impact for and with the BoP". The novelty can be in the form of a product, services or processes. Inclusive Innovation is about harnessing science, technology and innovation know-how in order to address the needs of the BoP¹. One way to create impact is to embed such innovation into a business creating an inclusive business. Another path is to roll out the innovation via governmental programmes.

**Base of the Pyramid (BoP)**: The term BoP refers to the nearly 4 billion people with incomes below $3,000 in local purchasing power that live in relative poverty, primarily in Asia, Africa and South America (also referred to as the “next billion”). They belong to the lowest level of the economic pyramid and therefore miss access to basic products and services.

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¹ Source: www.inclusivebusiness.org
² Source: www.bopinc.org
A. **Raise awareness in the company and forge the vision**

Awareness raising refers to activities aimed at increasing the level of consciousness of individuals, teams and organizations on the topic of inclusive business models. Vision and internal support are one of the main pre-requisites for building impactful projects. It is important to get buy-in at all levels from the CEO to operational levels, in order to secure support year on year.

- **Resource:**

  The Inclusive Business Challenge is an easy-to-use presentation and simulation tool to help companies raise awareness of the role of business in development. It presents good practice examples, and suggests ways to integrate inclusive business into company strategy. A key feature of the tool is in the simulation activity designed to be used in an interactive workshop setting to identify risks and opportunities in building inclusive business.

  WBCSD, 2009
  
  *Available for download*
  
  www.wbscd.org
B. **ANALYZE YOUR MARKET**

Understanding the local BoP ecosystem and the real needs of poor population is fundamental to ensure the successful development of inclusive business models. Traditional methods of investigation (market assessment, feasibility study) are not adapted to BoP markets. The objective of gaining BoP Insights is to identify, understand, assess and engage BoP actors in co-creating Inclusive Innovations that create impact in a socio-economic and ecologically sustainable manner.

Insights from low-income communities guide the development of inclusive business models by understanding:
- lifestyle and daily habits
- perceived vulnerability and coping strategies
- preferences, aspirations, desires and motivation
- capabilities, competences and business smartness
- the context of use, production, and business modeling
- the hidden logics behind practices
- what is inhibiting change and what could enable change

**Resource:**

The *Market Creation Toolbox* is a mix between practical tools and methods targeting the development of business model for low- and middle-income markets. The description of the Business Model Dimensions is the result of observations from working with companies in the field, as well as a literature review on BoP business models.

**Danish Learning Lab, 2011**

*Available in two different versions (download or print version)*

www.boplearninglab.dk

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4 Source: BoP Insights - inclusive marketing research, *BoP Innovation Center* (2012)
C. GET INSPIRATION THROUGH OPEN INNOVATION PLATFORMS

Products and services oriented to low and middle-income markets often need to be redesigned and adapted to local idiosyncrasies. This requires a broad understanding of local environments, being able of generating ideas and developing R&D activities that can propose product and service adaptation. Through this, companies need to invest resources to gain a deep understanding of the requirements of low-income markets, and adopt new business processes on how to deliver services, how to raise awareness and how to be involved in the local environment. This fact requires going beyond traditional strategies and adopting new innovative methods for research, design, management and developing innovative ways of generating mutual value.

Open innovation platforms provide a unique opportunity to gain access to local knowledge and talents, explore product and service adaptations at low-risk and low cost, and develop creative partnerships among key stakeholders at different levels and scales.

Resources:

Innoget is a global community comprising thousands of professionals who have free access to technology requests and offers posted by innoget customers, innovation seekers and innovation providers.

www.innoget.com

One billion minds is a unique open platform connecting companies, individuals and nonprofit organizations. The objective is to mobilize people on challenging science, technology, design, business and social innovation problems faced by companies, non profits and other individuals.

www.onebillionminds.com
A. **PARTNER-UP: CREATE SHARED VISION AND LANGUAGE**

The need for strong partnerships to achieve impact at the Base of the Pyramid through inclusive business is widely acknowledged. However, working together is not as straightforward as it may sound. Partnering with a variety of stakeholders is as valuable as challenging, especially when dealing with a new market, innovative ideas and an unknown outcome. How to choose the right partners? How and when do you involve them in the process? How to develop a shared vision and manage expectations between partners with different organizational DNA?

**Resources:**

The Partnering Toolbook builds on the experience of those who have been at the forefront of innovative partnerships and offers a concise overview of the essential elements needed for effective partnering. It includes a description of the generic partnering process from inception to conclusion, a ‘stand alone’ tool for practitioners to develop effective partnerships, and case studies.

**The Partnering Toolbook, 2011**
*Available for download*
thepartneringinitiative.org

The Partnering Cycle is a tool designed to help companies implement, manage and sustain partnerships. It represents the different stages in the life of a partnership, keeping in mind that it is evolutionary by nature.

**The Partnering Initiative, 2011**
*Available online*
thepartneringinitiative.org
B. CO-CREATE INNOVATIVE BUSINESS MODELS

Inclusive business models require a strong culture that nurtures bottom-up innovation, allows risk-taking and guarantees a scope for failure. They also require a high capacity to co-create solutions targeting communities, so as to correctly address the needs and include them in the whole value chain.

Resources:

The Human Centered Design Toolkit is aimed to help users understand a community's needs in new ways, identify innovative solutions to meet those needs and deliver financially sustainable solutions. It walks users through the human-centered design process, advising on listening skills, running workshops, and implementing ideas.

IDEO, 2009
Available for download
www.ideo.com

Business Model Generation is a handbook for people striving to defy outmoded business models and design tomorrow's enterprises. It helps in describing, designing, challenging, inventing companies’ business model. Co-authored by 470 practitioners from 45 countries, the book features highly visual design and invite you to use words, images and colors for an interactive experience.

Alexander Osterwalder, 2011
Charged
www.businessmodelgeneration.com
C. IMPLEMENT INCLUSIVE INNOVATIONS

To consistently develop new ideas that deliver short and long term profits to an organization, specific processes or protocols are being developed, providing an operational framework for inclusive business. The innovation process goes from identifying the opportunity to leveraging the innovation following crucial and iterative steps.

○ Resources:

The BoP Protocol™ is a pioneering business incubation process that enables companies to generate new business opportunities at the Base of the Pyramid. Based on a participatory philosophy, the BoP Protocol™, is a model for business co-creation that combines companies’ resources, technologies and best practices with those of the community.

Erik Simanis and Stuart Hart, Cornell University, 2008
Available for download
www.bop-protocol.org

The BoP Innovation cycle: Developing innovation at the Base of the Pyramid requires a specific and iterative approach described in this method. It was built on the BoP Protocol 2.0 developed by Stuart Hart, professor at Cornell University and founder of the first BoP Learning Lab and the BoP LL Network

BoP Innovation Center, 2010
Available for download
www.bopinc.org
A. **PROMOTE ACCESS TO FINANCE**

Access to funding refers to the use of innovative financial mechanisms to support the development of BoP ventures. It includes access to inclusive innovation funds or access to impact investors for investment ready innovations. Tools include investment plan template or match making services.

- **Resources:**

  - **The ImpactAssets 50 (IA 50)** is the first open-source, publicly published database of experienced private debt and equity impact investment fund managers. This annually updated list is a gateway into the world of impact investing for investors and their financial advisors, offering an easy way to identify experienced impact investment firms and explore potential investment options.

    Impact Assets, 2012
    *Available online*
    www.impactassets.org

  - The database of financial and technical support for inclusive businesses acts as a 'one-stop shop' for information about organizations that offer financial and/or technical support relevant to inclusive businesses in developing countries. The database includes descriptions of over 200 relevant organizations, the support they offer and a link to further information.

    The Practitioner hub, 2012
    *Available for download*
    businessinnovationfacility.org
B. **Evaluate Your Impact**

Measurement and management of the socio-economic impact of such projects are fundamental, to drive business performance and enhance the business contribution to society. Impacts can be various since target communities can benefit from improved access to basic needs, but also income generation and employment.

- **Resources:**

  The **Base of Pyramid (BoP) Impact Assessment Framework** is a method that provides managers with a robust and systematic approach to conducting: 1) a strategic analysis to gain a deep understanding of their holistic set of impacts, and 2) a performance analysis to identify, track, and improve key indicators over time.

  *Ted London, 2008*

  **Measuring Impact Framework** is designed to help companies understand their contribution to society necessary for sound operational and long-term investment decisions, as well as have better-informed conversations with stakeholders.

  *WBCSD, 2008*
  
  Available for download
  
  www.wbcsd.org

  The guide **Measuring socio-economic impact** is intended to help companies navigate through the complex landscape of socio-economic impact measurements. It is aimed to help companies select the right tool or combination of tools, providing an overview of exiting methods for business needs, their benefits and limits.

  *WBCSD, 2013*
  
  Available for download
  
  www.wbcsd.org
C. **Upscale and Replicate Success Business Models**

Scaling up implies expanding, replicating, adapting and sustaining successful policies, programs or projects in geographic space and over time to reach a greater number of rural poor. Some of the main challenges scaling up and/or replicating BoP strategies consist in obtaining the proper dimension to develop adequate economies of scale; overcome the local embedment to adapt strategies in other regions and countries; developing proper partnerships with non-traditional stakeholders.

Some of the strategic steps to consider in order to promote a scaling up or replicating process are the following:

- **Action 1**: Define the scaling/replicating potential of the business model to be addressed
- **Action 2**: Define drivers and spaces for scaling up, such as costs of project implementation (or service delivery, etc.).
- **Action 3**: Explore the institutional, organizational and policy context that allows scaling up.
- **Action 4**: Define the partners who can assist with or take over the scaling up process and what needs to be done to bring them on board.
- **Action 5**: Define the appropriate funding mechanisms that will allow the scaling up process
- **Action 6**: Enable proper operational instruments (loans, grants, technical assistance, policy dialogue, etc.) for supporting the scaling up process.
- **Action 7**: Monitor and evaluate the pilot or experimental project as well as the scaling up process.

**Resources:**

*Scaling Up - From Vision to large-scale change* is a toolkit intended to be a companion document for managers who want to scale up and/or replicate projects, including fifteen tools for use with selected tasks outlined, that were developed, refined, and applied over a nine year period in twenty-two projects in India, Mexico, and Nigeria.

*Management Systems International, 2006*

[Available for download](http://www.msiworldwide.com)
KEY REFERENCES

General

Accelerating inclusive business opportunities: business models that make a difference, IFC (2011)
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www1.ifc.org

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www.hks.harvard.edu

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**Sector specific**

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www.rockefellerfoundation.org

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*Available for download*
www.wbcsd.org

Leveraging information and communication technology (ICT) for the base of the pyramid, Hystra (2011)
*Available for download*
www.hystra.com
On the web

International networks connecting practitioners and experts:

- Business Fights Poverty, [www.businessfightspoverty.org](http://www.businessfightspoverty.org)

Business Fights Poverty is an international network connecting practitioners and experts which form a global community of pioneers dedicated to pushing back the boundaries of how business can fight poverty. Members use the social network to connect with likeminded professionals, discover trends, and share ideas through blogs, videos and discussion forums.

- The Practitioner Hub, [businessinnovationfacility.org](http://businessinnovationfacility.org)

Developed by the Business Innovation Facility and Innovations Against Poverty to provide a space for practitioners to connect, share experiences and gain new insights to help their inclusive business ventures grow.
This document presents an overview of tools that have proven to be useful for the development of BoP business in Africa, South America and Asia. It is a non-exhaustive snapshot done in the first semester of 2013 that is geared towards beginners and pioneers of inclusive business models. They support the understanding of BoP business and the BoP itself, facilitate the emerging of new business models and hybrid partnerships and ultimately help reaching social impact at scale via BoP business. As the field of BoP is getting momentum, new tools will be added or improved to create a complete toolkit for any professional willing to venture at the BoP.

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