

INCLUSIVE BUSINESS: BEST PRACTICES FROM INDIA

CSR^{ASIA}

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1. THE ROLE OF INCLUSIVE BUSINESS IN ADDRESSING THE SUSTAINABLE DEVELOPMENT GOALS

THE BUSINESS CASE

Many businesses are increasingly recognising the contributions they make to development and their role in moving the world to a more sustainable development path. They want to show that they are responsible and can respond to the global challenges that remain by using their assets, expertise, products, services and influence to help the world's poor. There is now a new opportunity for the private sector to build on the positive development impacts that they already have through consideration of the contribution they can make to the achievement of the Sustainable Development Goals (SDGs).

One way of doing that is to build on the concept of inclusive business. Specifically, including more people in the value chains of large businesses has the potential to support

development. There is an opportunity for businesses to build on their existing actions, better understand how they support inclusive development and appreciate that business will benefit as economies grow and wider development is achieved.

The private sector is explicitly mentioned in the 2030 agenda for sustainable development and, specifically, in the attainment of the 17 new Sustainable Development Goals (SDGs). There is an expectation that businesses will use their resources, capabilities and creativity in delivering real solutions to the remaining global challenges that the Goals identify. Private business activity, investment and innovation will be the drivers of economic prosperity through increased productivity, job creation and new inclusive business opportunities.

There is a strong business case for engaging with the SDGs. A responsible business will seek to use its assets and expertise to address those Goals where it can have a positive impact. It will consider which Goals it can best address given the nature of the business they are involved in and the location of their operations. There are a number of ways in which a strategy for engagement with one or more of the SDGs can bring value to business. The SDGs:

- i. Provide a source of reference, a framework for companies to better understand and adapt to emerging global issues and help them set priorities for their social responsibility initiatives.
- ii. Offer a series of new inclusive business opportunities, opening up new markets for new products and services, making value chains more efficient and increasing competitiveness.
- iii. Create a common language and structure to measure impact, helping diverse stakeholders along the value chains of businesses to better communicate around sustainable development.
- iv. Mobilise multi-stakeholder partnerships for a common goal, increasing the sharing of information and knowledge around sustainable development challenges.
- v. Offer an opportunity to demonstrate responsibility and improve reputation and trust by aligning to global best practice.

In making a contribution to the SDGs, and investing in those Goals where the business can make a difference, the private sector will get a clear return on its investment. Businesses can benefit from a better educated workforce, good health in the community, better infrastructure and strong governance. The SDGs provide

a framework for inclusive development that recognises the positive role that trade and business plays and help to expand local economies and open new markets. The SDGs offer a real opportunity to work in partnership with suppliers, building strong, efficient and resilient value chains that deliver tangible economic benefits to the local economy, workers and their communities. Development will expand opportunities and markets for the private sector.

DEVELOPING INCLUSIVE BUSINESS MODELS

Once a company has made a commitment to aligning its business practices with the achievement of one or more of the SDGs, it can begin to design initiatives that can create shared value for society and for the business. In taking an inclusive business approach it will be able to benefit commercially whilst addressing specific aspects of development. In designing its inclusive business initiatives it will consider a number of important factors:

1. Identifying new business opportunities:

The private sector can consider new business models that have greater development impacts. This can be achieved by adopting an inclusive business strategy and addressing society's challenges through commercially viable initiatives along global value chains. Inclusive business approaches will allow businesses to expand their markets and enhancing profitability, while simultaneously advancing the economic and social conditions in the communities in which they operate.

2. Stimulating innovation: Central to the inclusive business approach is the need to innovate. Businesses can apply their creativity to solving development

challenges. The private sector can mobilise and share knowledge, expertise, technology and financial resources towards the achievement of the SDGs. The creation and diffusion of new innovation, technologies and associated know-how are powerful drivers of economic growth and sustainable development. Companies can work on bridging the digital divide, build capacity for and provide access to information and communications technology, including affordable access to the Internet.

- 3. Creating new jobs:** Generating employment and decent work for all is central to the inclusive business philosophy. Employment is a key contributor to development: jobs boost living standards, raise productivity, and foster social cohesion. Jobs are also the principal way out of poverty for people in developing countries. Private sector is a key engine of job creation. To enable all people to benefit from growth, companies can be inclusive in their employment practices encouraging the full and equal participation of women and men, including persons with disabilities, in the workforce.
- 4. Empowering women:** There is also an opportunity for the private sector to adopt proactive gender inclusive business practices and understand the impact of business decisions on women. There is a growing consensus among leaders in business that empowering women is good for development and good for business. The private sector can contribute to advancing gender equality through offering women productive employment and decent work, equal pay for equal work and equal opportunities, as well as protecting them against discrimination and abuse in the workplace.

- 5. Enhancing transparency:** To build trust and to be considered credible partners in the sustainable development agenda, companies need to be transparent with regard to social and environmental impact, be accountable for how their activities create or deplete value for society, and report on what they are doing to improve performance. Businesses are expected to act in accordance with international best practice and norms of behaviour and to adopt models that take into account the environmental, social and governance impacts of their activities, urging those in their sphere of influence to do the same.



2. ENGAGING WITH HUMAN RIGHTS THROUGH INCLUSIVE BUSINESS PRACTICES

Businesses are becoming increasingly aware of human rights risks that they are facing along global value chains. Recent media attention has highlighted growing concerns about various forms of modern day slavery that are often found deep down the supply chains of companies, where traditional social compliance audits rarely reach. Here the challenges facing the private sector are enormous and the risks are growing rapidly.

Businesses that are committed to running their organisations in a responsible and inclusive way will have an interest in ensuring that human rights are protected. They will recognise that their own employment practices should protect human rights. But more difficult are human rights abuses that happen outside the organisation and are to be found in the value chains of businesses and within their sphere of influence rather

than under their direct control.

Businesses are often at a loss as to how to deal with these emerging risks, but understand that their brand and reputation can be severely damaged by a scandal involving suppliers. But acting alone they cannot deal with all the risks that may arise: Cooperation with other businesses and other stakeholders is vital.

One of the biggest challenges for responsible and inclusive businesses is that many human rights violations happen lower down supply chains, many stages away from where the business itself operates. They are found in agriculture, fishing, mining and other primary industries where individual companies have limited control over their supply chains. Abuses include child labour, forced labour, bonded labour and a range of abuses

inflicted on vulnerable and marginalised groups that can collectively be considered as modern day slavery.

With growing public attention and concern around recent media scandals about modern day slavery, as well as more consumers asking questions about whether the products they buy are “slave free”, responsible and inclusive businesses will prioritise human rights issues and risks that they could face along their value chains.

While problems associated with human rights abuses will not be solved easily, there needs to be greater transparency and collaboration within sectors and between different industries, involving a wide range of stakeholders. Engaging widely on emerging best practices and finding effective ways to tackle human rights abuses will reduce risks.

Companies committed to responsible and inclusive businesses will work towards eradicating human rights abuses in their value chains and work with other stakeholders to encourage the wider private sector to increase their involvement in human rights assessments. In order to address human rights risks along the value chain and tackle the risks associated with modern day slavery, companies must consider what is feasible, what is possible and what is fair. An approach consistent with developing a responsible and inclusive value chain, free from human rights abuses should be the intended outcome. A strategy based on the following ten elements is a good starting point:

1. Develop awareness within the organisation about human rights challenges, accepting that there is no easy solution to dealing with human rights violations deep down supply chains. Recognise that ignoring human rights risks is not an option because they can cause damage to brand, reputation and trust and cause severe disruptions to value chain security and efficiency with implications for competitiveness.
2. Consider inclusive business approaches and work with smallholders, small businesses and cooperatives to ensure that they derive fair benefits from their outputs. Help to increase productivity and quality so that margins are enhanced and vulnerability to abuses reduced. Create initiatives that have the potential to increase the economic empowerment of poor people and communities more widely, reducing the potential for exploitation.
3. Use human rights risk assessments to evaluate the issues along the whole value chain and how they can impact on sourcing, products, brands, reputation and legislative requirements. As part of this, engage with a range of stakeholders to better understand the dynamics of the value chain and the reality of operations on the ground. Ensure that any potential high risk areas are monitored and engaging with vulnerable and marginalised communities to tackle risks associated with exploitation.
4. Recognise that certain groups of people will be more vulnerable to human rights abuses and work towards recognising the root causes of such potential abuses. Vulnerable groups will include the poor, women, indigenous peoples, children, migrant workers, refugees, persons with disabilities, ethnic minorities and the displaced. Therefore it is important to work alongside communities to identify and address these vulnerabilities.
5. Make value chains as transparent as possible, highlighting the sources of raw materials and production methods. Make

it clear that the company has a policy and commitment to eliminate all forms of modern day slavery. Provide accessible, reliable and independent whistle-blowing procedures so that human rights abuses can be reported. Establish grievance mechanisms for those who believe the company is not abiding by its commitments.

6. Engage with industry-wide initiatives that can begin to examine the root causes of human rights abuses and begin to work on common standards and initiatives to mitigate the risks associated with modern day slavery. Work alongside other businesses to address real and potential value chain risks associated with human rights abuses, recognising that a safe and responsible relationship with suppliers is in the long term interest of value chain security and competitiveness.
7. Partner with the NGO community where significant expertise on human rights issues exists and begin working on solutions to dealing with the underlying causes of modern day slavery (including poverty, discrimination, land rights, refugees and vulnerable groups). Engage with experts who understand different issues in different geographical locations and respect local cultures and traditions, whilst seeking to reduce human rights risks.
8. Develop multi-stakeholder initiatives at the industry level to work towards solutions to human rights abuses along the value chain whilst at the same time increasing benefits to the poor and protecting the environment. Develop joint initiatives to develop responsible and inclusive value chains and consider links to industry standards, certification schemes and labels where appropriate. Consider interventions along the value chain that can reduce risks associated with human rights abuses and remediation for those who have found to have been exploited.
9. Focus on developing responsible products and traceability initiatives so that consumers and other stakeholders can have a good degree of assurance that the products that they buy are free from human rights abuses. Encourage consumers to be part of the fight against modern day slavery through education initiatives, influencing their purchasing decisions.
10. Join in a broader global movement to protect the human rights of vulnerable people and advocating for more effective responses from governments and other regulatory agencies. Demonstrate to other parts of the private sector that there is a business case associated with engaging with human rights relating to risk reduction and potential competitiveness gains associated with value chain security.



3. INCLUSIVE BUSINESS: ADDRESSING THE NEEDS OF THE BOP

The Asia-Pacific region has made significant progress in reducing poverty in the last 15 years. The proportion of the Asia-Pacific's population living on less than US\$1.25 per day is projected to fall from 53% in 1990 to 12% by the end of the year, according to the 2015 Millennium Development Goals Progress Report. But there is still a long way to go. If the poverty line is set at US\$2.00 per day, the achievement is less impressive: the number of people living on between US\$1.25 to US\$2.00 per day has actually increased from 764 million in 1990 to 872 million in 2015.

India has the highest share of the world's poorest, accounting for one-third of those who live at the extreme Bottom of the Pyramid (BoP) on less than US\$1.25 a day. Despite efforts to reduce absolute poverty and the progress in recent years, according to the World Bank's poverty and equity data, the level of relative poverty remains high in India – with the income inequality between the lowest 10% and the

topmost 40% widening in the past decade. Many of these 400 million people at the BoP still have no access to basic necessities such as education, energy and safe water. There is a substantial need for companies to contribute to addressing the shortcomings that continue to persist in the access to basic needs. For the people living at the BoP, greater incomes can significantly improve the availability of water and energy, however further infrastructure is needed to meet the educational requirements of the poor in rural India.

GETTING DOWN TO BUSINESS

The private sector can play a vital role in creating innovative business solutions that include and empower the poor. Businesses can identify ways to integrate the poor along their value chains, to advance the economic and social conditions of communities while simultaneously enhancing their own competitiveness.

In general, the term 'Inclusive Business' refers to companies that go beyond philanthropy and include poor communities in their value chains, from the demand side as clients and customers, and/or from the supply side as employees, suppliers and distributors. For example, national and multi-national companies alike have started to provide new products and services which are able to tap into the market of the 'underserved,' to bring them out of poverty

Companies have the distinct potential to satisfy the basic needs of particularly poor and marginalised populations and draw attention to the market opportunity that exists at the BoP. This will require a paradigm shift away from the traditional 'solution' of sending philanthropic aid and reframing the poor as business stakeholders.

REFRAMING THE BOP

According to a study by World Resources Institute (WRI), there are 114 million households identified as being at the BoP which represents 76% of India's rural residents or almost 60% of the total population. More companies should start to engage with the economically disadvantaged as suppliers, consumers and as entrepreneurs. While there are challenges that need to be overcome by companies when engaging with the BoP, such as reaching scale or developing affective community partnerships, there are many existing successful initiatives that companies can learn from.

For example, for years India consistently ranked at the bottom of the safe water index, due to a lack of adequate infrastructure and increasing concentrations of toxic municipal and industrial effluents flowing into water supplies. Many of the poorest communities of rural India were becoming increasingly exposed to degrading water

quality and deteriorating sources. Waterlife Limited identified that the state and local governments could not meet the demands of these communities alone. Therefore, the company developed centralised water purification systems, to improve water quality at source. By focusing their business strategy beyond only the consumer level and incorporating communities in the maintenance and the distribution of the purified water, the company has successfully expanded across India. The result has generated income and built capacity in rural communities, creating a lasting social impact and a stronger, more financially secure consumer market.

Another successful initiative is Schneider Electric's BipBop programme aiming to engage the BoP through three pillars: Business, Innovation and People. The company funds local entrepreneurs to improve sustainable access to electricity by leveraging their business solutions such as micro-grid operators, solar home systems (SHS) and energy focused micro-finance initiatives. Through venture capital, Schneider Electric invests in the creation and operation of new energy enterprises at the local level. Utilising the knowledge of local entrepreneurs, Schneider Electric can create stronger connections with communities and develop home-grown business solutions.

SETTING UP FOR THE FUTURE

The BoP in India will continue to be susceptible to the cyclical nature of generational poverty if basic needs are not met. Without an educated population, the disadvantaged become stagnant in society and without public resources to facilitate channels of learning, the number of the extreme poor will continue to grow. That is why preparing for the future is another critical aspect of alleviating poverty and empowering the BoP to break through social-economic limitations. Companies like Cisco are leading the way in creating

innovative educational platforms, finding new ways to reach the rural and remote populations of India. Cisco's CEED platform uses Cisco's cloud technology, in an all-in-one computing and project delivery system to connect teachers and students remotely. Despite nation-wide progress to improve student enrolment, retention rates have remained consistently low. To better engage students particularly in remote locations, Cisco's network has improved access and quality to education without needing to pay exorbitant prices for infrastructure.

As education is integral to social mobilisation and empowerment, providing more engaging educational platforms that facilitate high quality learning, through state of the art technology will prepare rural students for future challenges.

WHAT REMAINS

The Indian population will continue to grow and basic needs will continue to go unmet, exacerbating public resources, disproportionately weighing down on poor

and rural communities and widening income disparities. As the public sector works to allocate available funding to provide the basic needs to all of its population, the private sector plays a vital role in addressing current inefficiencies.

"Give a man a fish and feed him for a day, teach a man to fish and feed him for life. It is a nice story, but just because you teach does not guarantee a move out of poverty. Capacity building and education will not guarantee net incomes will grow in a significant way to move people out of dire need. Let's not just 'give a fish', instead let's teach how to fish, then let's open up global markets so the fish can be sold, and then support the business to buy boats and expand, and help the business to develop and employ more people. Only then will there be the scale for real change." Richard Welford, Chairman, CSR Asia

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CASE STUDY: CISCO AND REMOTE INTERVENTION TEACHING

BACKGROUND

In recent decades there have been significant improvements in the enrolment of students in urban and remote areas of India, due to national commitments which have aimed to improve the country's international standing in education. With recent political will, almost 100% of school age children are enrolled in schools, however greater problems persist beyond enrolment. The government struggles to keep children in school, according to a study by Brookings Institution, 29% of students in primary schools dropout within the first five years and a meagre 42% graduate high school.

The core issue is that schools are unable to provide enough teachers on the ground, and India has one of the largest pupil to teacher ratios in the world, ranging from 35 to 1 according to the World Bank. This does not take into consideration that most teachers

regularly have to teach more than one subject.

To address this challenge, Cisco developed a platform that delivers 'remote intervention teaching.' The Cisco Enabled Education Development (CEED) E/S 2700 device, known by its alias Dwara (meaning 'gateway'), allows teachers to connect through a comprehensive, open learning platform with students in the most remote locations. The CEED platform delivers a real-time, virtual teaching experience through the Cisco integrated online network.

THE CEED PLATFORM HAS TWO PRIMARY OBJECTIVES:

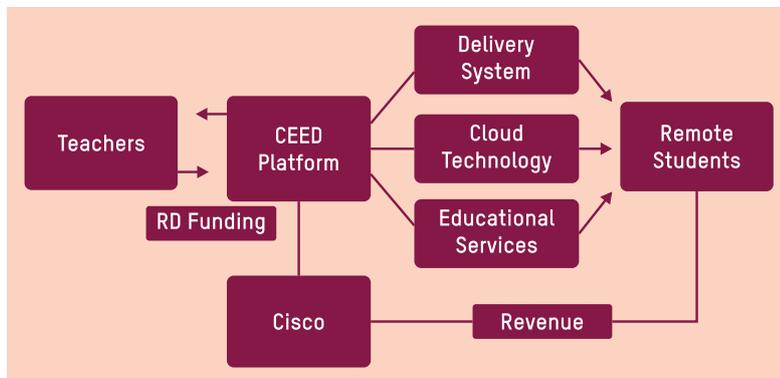
1. To provide delivery of reliable, high performance education to remote locations by simulating the teacher or instructor through interactive, video display technology.

- To create a product that is energy efficient, easy-to-use, affordable and addresses the educational needs of India.

APPROACH

The CEED platform was first utilised through a private-public initiative called Project Samudaya ('community' in Sanskrit). In 2009, a major flood hit the southern Indian state of Karnataka, devastating five communities, destroying homes, schools and livelihoods. Cisco created the CEED platform to reconnect affected communities through online health and education services.

Since then, Cisco has redesigned the CEED platform to be scalable and customisable to the needs of its users. The key component of the CEED platform is its 'all-in-one computing and project delivery system, which provides high quality video connection to teachers and students seamlessly. Cisco has accomplished this through the development of an intelligent network which harnesses



cloud technology to make data available everywhere. Cisco's cloud technology and architecture, is an ideal vehicle for schools and institutions to choose the services they desire.

The CEED platform leverages Cisco's technological expertise and services to create an intelligent device that is energy efficient, easy-to-use and affordable for remote communities and schools. As seen in the above model, the CEED platform uses

its project delivery system, cloud technology and educational services to reach out to remote students. Costing families 50 rupees (US\$1) a month, students are provided access to state-of-the-art technology and high quality educators.

OUTCOMES

The CEED platform has redesigned the traditional classroom setting to deliver highly qualified teachers on demand. This is creating an enriching and engaging educational experience for students, whilst reducing the ratio between pupils and teachers. Improved access to high quality education through affordable means provides greater incentives for students to stay in school.

Through the digital nature of the platform, students build on their technological skillset to prepare them for a globalised world. To date, the CEED platform has expanded to 171 schools and two countries, with the intention to grow further.

Since 2011, the growth of the CEED platform has moved beyond the classroom and into the corporate and healthcare sectors. To date, 73 institutes in 13 states have adopted the CEED platform for vocational training in IT, accounting, entrepreneurship and hotel management. The healthcare

sector has used the platform to provide over 65,000 patient consultations in 31 health care network centres in three states. The CEED technology has made it possible for the corporate and healthcare sectors to incorporate the same cloud based video interaction solution to improve the way they do business.

KEY SUCCESS FACTORS

- Closing the ratio between teachers to

students: The CEED platform provides high quality education to some of the most remote locations in India. CEED is able to link teachers from other parts of the country via the Cisco integrated network, by virtualizing the teacher and instructor. The result reduces the gap between the availability of high quality teachers to students.

- **Creating a cost-effective product:** The CEED E/S 2700 device is an all-in-one, affordable system. This is made possible through high quality equipment that is energy efficient and reliant on Cisco cloud technology for memory support.
- **Empowering the next generation:** The accessibility of education through the CEED platform improves the education system in rural areas and facilitates a higher quality workforce, generates rural employment and builds a society which is integrated into the globalised world.

LESSONS LEARNED

- **Public sector collaboration:** The bureaucratic nature of the state and federal governments has been a major hindrance on the implementation of the CEED platform. The lack of inertia by the government has slowed down the programmes adoption in schools across the country, therefore activities are needed to engage the all levels of

government to scale the project.

- **Creating a more intelligent network:** Building on the existing network and finding innovative ways to allow for data to more fluidly move from one location to another is important to the success of the platform.
- **Innovation will lead to a more affordable and universal platform:** As the CEED Series devices continue to be used, further research and development will improve the effectiveness of the technology and it's affordability. Building content that can be accessed at a cheaper rate will create more incentives for the government to adopt the programme and to grow further internationally.

QUOTE

"Technology is the only way forward for India to leap frog into the future and catch up to the developed nations...Through technology you can bring doctors to remote areas using video, track government documents seamlessly, eliminate manual intervention of services, reduce corruption at the ground level and skill up youth so that they are business ready. This will not only revolutionise India but also bring prosperity like we have never seen before."

- Aravind Sitaraman, Former President of Inclusive Growth at Cisco Systems

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3.2 CASE STUDY: SCHNEIDER ELECTRIC - BUSINESS, INNOVATION AND PEOPLE AT THE BASE OF THE PYRAMID

BACKGROUND

Access to energy is not only required to meet people's basic daily needs, but also has an impact on access to many other resources, including healthcare and education systems. According to the World Bank, approximately 21% of India's population, more than 200 million people, still have no access to electricity. India's vast geographic spread, poor infrastructure and rural fragmentation make it extremely difficult for the national power grid to reach the thousands of villages in remote rural areas. The distribution and retail networks of large companies are mostly confined to tier 1 and tier 2 cities. In the absence of grid power, energy needs are typically met by kerosene, flashlights and wood-based biomass. These sources are polluting and expensive, and kerosene lamps are a major source of fire accidents.

Schneider Electric has been looking at

dealing with this energy challenge at the base of the pyramid (BoP). In 2008, Schneider Electric launched its BipBop programme to address three key issues in access to energy at the BoP:

1. Developing a cost-effective offer to address a lack of appropriate equipment
2. Enabling access to financial resources for innovative energy entrepreneurs
3. Providing technical support and business training to address skills and expertise shortage

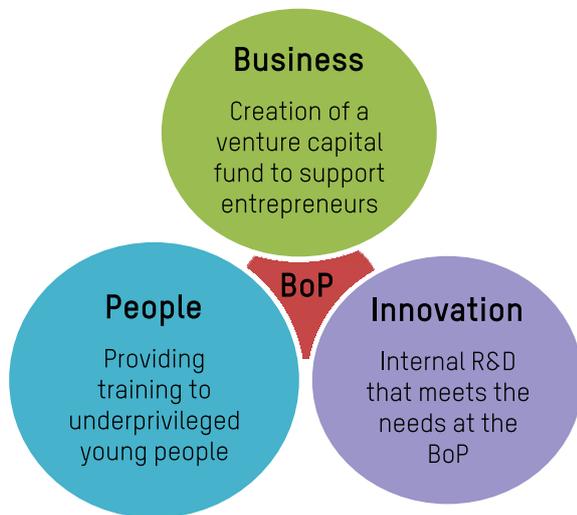
APPROACH

The BipBop programme is comprised of three pillars as illustrated in the diagram.

The "Business" pillar focuses on supporting the development of entrepreneurial initiatives

that tackle the access to energy issue at the BoP with business solutions such as micro-grid operators, solar home system (SHS), as well as energy-focused micro-finance initiatives. To support these entrepreneurial initiatives, Schneider Electric announced the creation of a venture capital fund in 2009, namely Schneider Electric Energy Access (SEEA), with an initial capital of EUR 3 million.

The “Innovation” pillar of the BipBop programme focuses on challenging Schneider Electric’s own products and services to become more innovative and adaptive to the needs at the BoP. The products and solutions



that have been developed meet a wide range of individual and community needs, including lighting systems, battery charging stations, decentralised power plants and water pumping systems.

In order to have more in-depth understanding of the socio-economic context at the BoP and to tackle the last mile distribution challenge, Schneider Electric partnered with NGOs that already had direct connection with community based organisations such as cooperatives, SMEs and self-help groups. Utilising these partners’ local knowledge and presence, Schneider Electric managed to engage with local residents in rural villages, understand their energy needs and involve local entrepreneurs from self-help groups in the process of product distribution. Within the framework of BipBop, Schneider Electric

nurtured a group of entrepreneurs to purchase Schneider Electric products such as the In-Diya lighting system and the rechargeable batteries at a subsidised price and rent them to local villagers, which complemented the existing retail sales network. Schneider Electric also started to partner with microfinance institutions that create lines of credits for energy appliances to ease the access to credits for users at the BoP.

The “People” pillar of the BipBop programme, which is the non-profit part of the programme, aims at empowering the young people at the BoP with the necessary knowledge and skills to work in the energy sector in India. In 2009, Schneider Electric India launched the Electrician’s Training Programme. More than 20 training centres established in collaboration with NGOs and other stakeholders now provide vocational training to young people throughout India. The students that benefit from the training are mostly unemployed or school dropouts. As the training is certified by Schneider Electric India and its partners, it helps enhance the students’ employability, while also tackling the shortage of skilled workers in the electrical sector and nurturing a potential workforce for Schneider Electric.

OUTCOMES

During the first phase of the BipBop programme between 2009 and 2011:

- 1,000,000 households at the BoP gained access to energy with Schneider Electric’s energy solutions
- 10,000 young people at the BoP were involved in the Electrician’s Training Programme
- 500 entrepreneurs involved in providing energy solutions at the BoP received financial support from the SEEA fund

One of the most recognised results of the “Innovation” pillar in India is the “In-Diya” home lighting system, which was developed by the

Bangalore-based R&D team with an objective to design a high-quality product at an affordable price. The “In-Diya” lighting system relies on a battery that can be charged using solar panels in the absence of grid power.

While the three pillars of the BipBop programme have different focuses and target participants to enhance access to energy at the BoP, synergies have also been generated. As an example, after completing the Electrician Training Programme under the “People” pillar, some students in India received financial support from the SEEA fund and started their own battery rental business which is connected to Schneider Electric’s In-Diya lighting systems.

KEY SUCCESS FACTORS

The strategic location of Schneider Electric’s global R&D centre, which is in Bangalore, was a catalyst for the success of the BipBop programme, especially the “Innovation” pillar. The investment in entrepreneurial initiatives also added to its R&D innovation strength.

However, Schneider Electric recognised that it is not enough to have innovative products and solutions that meet the need of the BoP – the efforts in improving the distribution process through collaborating with non-traditional partners such as NGOs that have built strong local connections became a key factor that contributed to the scalability and stability of the distribution network.

Another innovation lies in moving beyond the traditional retail sales model. Schneider Electric managed to motivate entrepreneurs in the BipBop ecosystem and involve them in

the subsidised rental business. The rental of Schneider Electric products further enhanced the affordability and scalability of BipBop.

Schneider Electric has also been striving to ensure that end users can have access to the necessary financial resources to purchase its energy products and solutions. Schneider Electric’s efforts to partner with local microfinance institutions helped it secure a growing consumer base at the BoP, while the scalability also contributes to the profitability of the programme in the long term.

LESSONS LEARNED AND FUTURE PLANS

One of the lessons learned from the BipBop programmes is that there is actually a business case of providing off-grid energy access solutions in India. This business-oriented mindset also helped BipBop to secure senior management buy-in. As one of the senior executives said “Even if the profit margin is small, driving this initiative as a business will allow it to be scaled up. We are talking about access to energy for millions of people.” Small margins at scale can generate substantial profits.

The BipBop programmes has become a new model for Schneider Electric to reach out to the BoP and strengthened its brand and reputation in line with its social value. Meanwhile, the company also acknowledges the intense price competition and the uncertain consumer demand in the rural market. In the future, Schneider Electric will need to continue to engage with the communities at the BoP so that it could have more in-depth understanding of consumer habits and preferences and gain competitive advantage in the rural energy market.

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3.3 CASE STUDY: WATERLIFE INDIA - SUPPLYING CLEAN WATER TO THE UNDERSERVED IN INDIA

BACKGROUND

One of India's greatest challenges concerns access to clean, safe water. Each year 37.7 million Indians are made sick by unsafe water supplies. The effects have increased the prevalence of waterborne diseases, which costs the Indian government an estimated US\$600 million a year or 73 million working days. Water quality is affected by the over-extraction of groundwater for agriculture and the contamination of surface water by municipal effluents.

To address this challenge at source, in 2008, Waterlife launched a pilot project in Sukantanagar, a village suffering from arsenic contaminated groundwater. The project involved installing a water purification system that could make water safe for human consumption. Following the positive results

in Sukantanagar, Waterlife expanded to over 250 villages in a year and continues to grow across India.

Since 2008, Waterlife has maintained two primary objectives:

1. Provide water purification systems that are environmentally friendly to all urban and rural communities without safe water supplies in India.
2. Build a sustainable and financially viable business which engages the community and provides job opportunities for local residents.

APPROACH

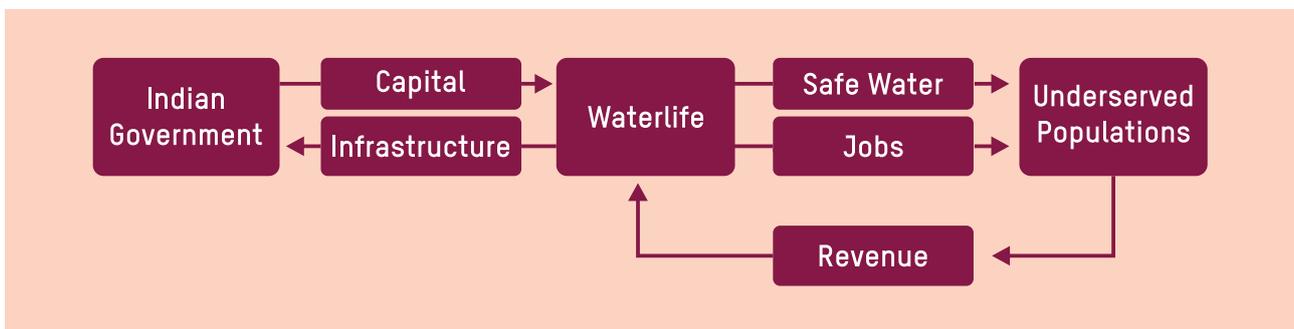
Waterlife built its first water purification plant in the state of West Bengal, an area known for having one of the highest rates

of waterborne diseases in India. Since then, Waterlife has built a company that provides end-to-end solutions, as a service provider and as a local employer.

With the help of the state and federal governments Waterlife is able to identify the communities in most need of clean water. Once the system has been constructed, Waterlife trains and hires local residents to act as operators. This process ensures the continued maintenance and self-sufficiency of the project.

simply who do not have the means of getting there. This has provided new opportunities for entrepreneurs to create businesses that deliver water to families living on the fringes of the community boundaries. Distributors charge a fee on top of the rate for water withdrawal in order to sustain their business.

Through this approach, Waterlife is able to ensure economic validity, sustainability and engagement of local residents for each project.



Waterlife bridges the gap between the infrastructure needs of the government and the basic needs of the people. By constructing self-sustaining water purification systems, the government can rely on Waterlife to maintain high quality water supplies.

Revenue streams are generated through a pay-per-use system for users. Communities are charged based on the quantity of water they withdraw, ranging from 10 liters at 3 Rupees (US\$.05) and 20 liters at 5 Rupees (US\$.08). The revenue realised is used to maintain the system through the salaries of local operators, with any extra revenue being used for research and development of Waterlife products and services.

An unintended benefit for local communities has been the emergence of small distribution companies. Despite the availability of the water systems, many households are still unable to access the treated water because they live too far from the water station or

OUTCOMES

Over the last seven years, Waterlife has expanded operations across twelve states and impacted over ten million people. To date, there are over 4,000 water purification systems which have provided water for thousands of urban and rural communities. In addition, 30 distribution businesses have been created to serve the needs of the households that cannot access the water stations directly.

The development of decentralised water systems has supported the political aspirations of the government. It has reduced long term costs for the government and created an opportunity for state and federal governments to allocate funding to other social needs.

The success of the Waterlife model has attracted the interest of other governments. East African countries like Rwanda are considering implementing a similar approach.

KEY SUCCESS FACTORS

- **Political support:** The Indian state and federal governments have been key partners to Waterlife. Through these partnerships, the state and federal governments have provided direction and the initial capital to construct water purification systems in communities identified as needing it most.
- **Economically viable revenue streams:** Waterlife leverages the support of the local community to ensure the sustainability of each water purification system. Through a pre-paid card, users are charged accordingly to the quantity taken and profits are used to maintain the systems.
- **Community engagement:** The involvement of the community has been vital to the replicability and scalability of the Waterlife business model. Waterlife trains and hires operators to maintain the systems. Additional opportunities are provided through small distribution businesses which charge a fee for delivery.

LESSONS LEARNED

- **Community education:** Residents were reluctant to pay fees for clean water as they didn't truly understand the health

benefits. Enhancing community education on the benefits of drinking clean water was identified as a key element in expanding the reach and impact of the initiative.

- **Green technologies:** Inefficient water use causes a greater impact on the local community and environment. More efficient, environmentally friendly technologies reduce costs for users, sustain available water supplies and improves Waterlife's triple bottom line.
- **Identifying water risk:** There are areas in India that are prone to water scarcity. Installing purification systems in these locations can hinder long term growth and promote over consumption. Further study and awareness is needed to sustain and replenish water sources for the future growth of business operations.

QUOTE

"Waterlife works hard to provide a basic need to all Indian people and show how healthy and engaged citizens can be impactful to the economy and society... We (Waterlife) have empowered communities to create new business opportunities through distribution companies, which have contributed to the growth of our business."

- Sudesh Menon, CEO of Waterlife India.

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4. INCLUSIVE BUSINESS: TRANSFORMING AGRICULTURAL VALUE CHAINS

Agriculture plays an important role in the Indian economy, contributing to more than 20% of the country's GDP. The agriculture sector also employs half of the workforce across the country, providing livelihoods to 70% of India's rural population. Despite of the sheer size of the agriculture sector in India, the country still faces challenges in meeting the increasing demand for agricultural products, especially given its ever growing population.

It is worth noting that approximately 80% of the farmers in India are smallholder farmers (defined as those marginal farm households that own or cultivate less than two hectares of land according to the Food and Agriculture Organization of the United Nations). Such farmers form the backbone of the country's sustainable agricultural growth and food security. However, most of these farmers,

living in remote villages are geographically scattered and have limited access to modern farming technology, services and information. The nature of many modern agricultural value chains has actually created additional barriers for smallholder farmers to improve their livelihood. For example, the profit margins for smallholder farmers are increasingly squeezed because of the involvement of multiple intermediaries in the agricultural value chain. Moreover, India has been a hotspot of climate change and increasingly frequent extreme weather events, floods and droughts are adding to the challenges faced by farmers.

At one end of the value chain, these barriers pose significant challenges to individual farmers. But, at the other end, there are those larger private sector actors that do have the capacity to address such

challenges. The role of such large companies is not about “doing good” – it is about engaging with farmers along their value chains as any other important business stakeholder. Indeed, inclusive business interventions can increase the efficiency and competitiveness of businesses, as well as create a more secure supply chain.

Business opportunities not only lie in those companies that procure agricultural products from smallholder farmers. Smallholder farmers also have their own demands – they need more inclusive financial services, more efficient small-scale resource management tools, as well as more convenient communication platforms to access information and enhance their agricultural practices. There is a tremendous market in providing services to farmers that can enhance efficiency and productivity.

Through in-depth discussions with companies across agricultural value chains, we have seen more and more companies starting to address challenge of delivering inclusive business models. Large companies including Nestlé and Unilever have worked closely with smallholder farmers and established long-term partnerships. We have also seen innovative and scalable solutions that meet the needs of smallholders such as Jain Irrigation’s micro-irrigation systems. There are also companies such as Tata Consultancy Services that have leveraged technology, creating platforms that connect farmers with agriculture experts and different service providers. However, there are still millions of smallholder farmers that are yet to be empowered, whose needs are yet to be met. As such, we have identified some directions that businesses can consider when trying to develop more inclusive business models along agricultural value chains.

LONG-TERM PARTNERSHIP WITH SMALLHOLDERS

One of the steps to start with is to engage with smallholders, identify their needs and enter into direct, long-term partnerships with them. On one hand, this liberates the farmers from being deprived of incomes by intermediaries. On the other, a long-term partnership helps companies secure a more stable supply chain and also ensures that their investment in smallholders’ capacity building will pay back. As can be seen from Nestlé’s over 50 years’ experience in supporting the development of dairy farmers in India, through helping farmers enhance their farming technology and skills, companies can also benefit from improved productivity and product quality to meet market demands.

THINK OF SMALLHOLDERS AS CONSUMERS

When we consider smallholder farmers as individuals with less than two hectares of land, the business opportunity might be small. However, if we consider them as a community of 100 million farmers, the market potential can be huge. These are smallholder farmers that face the same challenges and share the same demand for affordable and accessible agricultural services. These can be financial inclusion products, knowledge sharing tools, logistical services and agricultural equipment and systems but adapted to a smaller scale.

For example, financial exclusion is a common barrier faced by rural farmers. These farmers often need to be paid in cash, which is coordinated by intermediaries charging commission fees and resulting in losses to the farmers. YES BANK leveraged its connections with the self-help groups across the country to reach out to farmers and utilised its technology platform to provide

rural farmers with an instant mobile payment solution, which on the other hand has helped it reach out to a larger base of customers.

EMPOWER SMALLHOLDERS WITH CONNECTIVITY

ICTs play an important role in transforming the agricultural value chains. Smallholder farmers are in need of real-time agricultural product pricing information, as well as agricultural knowledge and modern techniques. But larger companies are increasingly facing the challenge of monitoring and engaging with their extensive supply chains. As most of smallholders are located in remote villages, these barriers can hardly be tackled without the support of modern communication technologies. This is where IT companies that have the capacity of building up communication and real-time monitoring platforms can tap into.

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4.1 CASE STUDY: JAIN IRRIGATION - SUPPORTING SMALL SCALE FARMERS FROM SOIL TO SHELF

BACKGROUND

Jain Irrigation Systems Limited (JISL) began manufacturing micro-irrigation systems in 1989. Since then, the Jalgoan based company has become the single largest manufacturer of micro-irrigation systems (MIS) in the world and holds a majority share of the domestic market in India with 55% of the drip irrigation market and 35% of the sprinkler market.

Before the emergence of MIS in India, rain fed or flooding irrigation was the most commonly used form of agricultural irrigation. With unpredictable climatic conditions year to year, small holder farmers were becoming increasingly vulnerable to the volatility of rain patterns and its subsequent impacts on the crops and their livelihoods.

As a major manufacturer of PVC pipe for commercial and residential use, JISL was

in a logical business position to break into the micro-irrigation market. Inspired by techniques used in industrial agriculture, JISL retrofitted the same technology to small scale farmers and pioneered MIS in rural India.

In 26 years, JISL has continuously scaled up its profitable operations and now works across 116 countries, developing a holistic approach to the agricultural value chain, providing end-to-end solutions including irrigation, seeds, agronomical training and procurement.

APPROACH

The JISL model is described as an 'integrated systems approach,' which can be underpinned in three main categories: Providing agriculturally based goods and services for farmers as consumers, producers and suppliers.

As consumers, JISL supports farmers through private-public subsidies which reduces equipment costs up to 50%. JISL facilitates the exchange of loans and credits to farmers routed through local banks, such as YES Bank and the Central Bank of India. Leveraging public subsidies allows particularly small scale farmers to afford JISL irrigation equipment. JISL then supports farmers after-purchase, through an integrated network of engineers, horticulturalists and JISL trained distributors that provide technical support during installation and crop management to ensure greater crop returns.

As producers, farmers can obtain additional credit to purchase high-quality seeds, saplings and other services, including agronomical training to build capacity on watershed planning, crop selection, organic farming and improving use of irrigation designs and maintenance.

As suppliers, JISL supports farmers to procure their produce to the market, either directly, leveraging a network of 'contract farmers' or indirectly through traders who source from external suppliers. By working directly with contract farmers, JISL is able to more effectively engage with farmers to ensure improved, higher quality yields in a more transparent and traceable supply chain.

This division between consumers, producers and suppliers has become the core element of JISL value and supply chains, providing 'end-to-end solutions' for farmers during the use of JISL products and during the production of their yields.

OUTCOMES

As consumers and producers, farmers have benefited from increased water efficiency of almost 90%, reducing reliance on conventional, water intensive irrigation methods while increasing agricultural output

by 60-130% depending on crop type. The JISL after-purchase support network has reached over 2500 trained experts in India with an additional 900 other dealers and distributors internationally.

As suppliers, there are over 10,000 contract farmers benefiting from the combination of JISL irrigation systems, seeds and agronomical support. The high quality inputs that JISL is providing, has benefited contract farmers between US\$300 and US\$400 per acre, contributing to more scalable operations and greater yields to sell in the domestic and internationally markets.

For JISL, the integrated support of farmers throughout the value chain has helped boost supplier output. This commitment to farmer productivity has contributed to JISL's 30% share of the fruit and vegetable processing market, which is third largest in the world.

KEY SUCCESS FACTORS

- **Subsidising equipment**

A major component of the JISL business is its affordability. Subsidies provided by the state and central governments have made their products increasingly available to small scale farmers. Reduction to the costs of the MIS equipment, training and support services has helped farmers increase the scale of their operations and create more profitable enterprises.

- **A flexible and scalable model**

The use of horticulturalists, engineers and JISL trained distributors improves the company's capacity to support a larger distribution network. As more farmers begin purchasing irrigation systems, farmers will be in need the additional support, therefore more JISL trained experts will increase the flexibility of the business to withstand growth.

- **End-to-end support**

The JISL value chain provides holistic support to farmers and their crops. JISL works with farmers from soil to shelf to ensure that farmers benefit each step of the way. This has ensured that farmers are increasing productive and both parties are benefited from the revenues generated.

LESSONS LEARNED AND CHALLENGES

- **Creating financial strategies**

Political and financial support has been an important factor to the success of the JISL model. As JISL grows to other emerging countries, it may be challenging to sell equipment at a high price. Therefore identifying public-private partnerships to reduce costs particularly for small scale farmers or providing country specific micro-financing opportunities will be required to ensure affordability and continue company growth.

- **Flooding risk**

JISL has identified that a major challenge they face, is the impact of flooding. With heavy rainfall, it will not be necessary to use irrigation systems. Therefore it will be necessary for JISL to adapt new methods that will continue product expansion and promote innovative ways that will promote effective water use and efficiency. By using rainwater harvesting collection

tanks, JISL can redistribute overflow water, so that it can be reallocated to crops during the dry season.

- **Localising efforts**

As JISL continues to grow across countries and in new environments with changing weather patterns, it will be necessary to localise techniques and strategies which can ensure the effective use of MIS and support services within those climates.

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Nestlé

Good Food, Good Life

4.2 CASE STUDY: NESTLÉ INDIA - SUPPORTING THE DEVELOPMENT OF DAIRY FARMERS

BACKGROUND

The dairy sector in India is worth an estimated US\$70 billion and is expected to double by 2020. There is a significant reliance on smallholder dairy farmers to supply the majority of milk in India. Approximately 78 percent of producers are small farmers with 1-3 milk producing animals contributing to two-thirds of national milk production.

India has become the world's largest producer of milk as a result of substantial structural changes undertaken in the dairy sector over the last fifty years. Nevertheless, India's productivity per animal remains low - the average yield per animal is nine times lower than the United States and six times lower than the European Union. This is due, in part, to a largely unorganised dairy sector lacking modern equipment and farmer training to optimise productivity.

As demand continues to rise with the growth of the Indian population and consumer behaviour shift towards high-value food commodities (including dairy products), companies have tried to tap into this large yet fragmented dairy sector.

Since 1961, Nestlé has worked through their rural development programme to create a network of small-scale milk producers and suppliers in rural India. Over the last 54 years, Nestlé has become a leader in the Indian dairy sector, working with dairy farmers to improve milk production, quality and meet the growing demands of the domestic and international markets.

APPROACH

Nestlé has worked with thousands of milk suppliers in rural communities through their Farmer Connect and Village Women Dairy

Development (VWDD) programmes. The Farmer Connect programme was designed to link Nestlé directly with producers and improve their productivity, create

refrigeration and storage tanks to maintain the quality of the product during transit to the market.



Adapted from the Nestlé Corporate Website

partnerships and enhance the company's social license to operate in India.

In the initial stages of the Farmer Connect programme, Nestlé realised that most of the cattle-rearing and dairy farming was being led by women. To enhance engagement of women along the supply chain, Nestlé established the VWDD programme working with women dairy farmers to improve milk quality, productivity and provide training that will positively impact their livelihoods and support them in creating a self-reliant business.

Through these programmes, Nestlé has been able to harness a larger network of suppliers to feed into their Milk District Model. Originally developed in Switzerland, Nestlé integrated the Milk District Model to connect local dairy farmers to milk processing locations.

The Milk District Model is a highly efficient collection method that includes a payment system for farmers, quality and safety controls, electronic weighing equipment, micro-financing opportunities and

OUTCOMES

Since the first milk collection area was constructed in 1961, milk collection has grown from 511 kgs to 1.3 million kgs of milk per day with over 110,000 farmers in the Nestlé network. The production area has grown to over 30,000 square kilometres with over 2,815 milk collection centres in villages across the country. To date, the Farmer Connect programme has expanded to over 30 districts in the states of Punjab, Haryana and Rajasthan. The VWDD programme reached over 60,000 beneficiaries contributing to the financial empowerment of women, enhancing their socio-economic well-being and promoting business acumen.

With the provision of Nestlé's technical and veterinary teams, dairy farmers have increased the scale of their facilities, built capacity to increase milk production and improved animal management to reduce the prevalence of disease.

The result has strengthened the livelihoods of farmers, created more profitable

opportunities and secured high quality and sustainable sources for Nestlé's milk supply and value chains.

KEY SUCCESS FACTORS

• Women's empowerment

Retargeting the programme to focus on empowering village women engaged in dairy farming after acknowledging that women are the primary caretakers of milk producing animals was a key factor contributing to the success of the programme. It ensured a more effective use of training, expanded the network under the Dairy District Model and amplified the scale of the impact.

• Meeting demand with supply

The disparity between the availability of high-quality milk supplies with the rising demand for dairy products was a growing concern. Nestlé's work to directly access rural, small-scale dairy farmers through the Farmer Connect and VWDD programmes have helped meet milk demand through increased milk supply and productivity.

• Building farmer capacity

Training and education to build farmers' capacity has been a key focus for Nestlé.

It involved improving feeding practices, providing breeding and veterinary services, creating a link between improved animal care and treatment with the potential for increased productivity and higher quality yields.

LESSONS LEARNED AND CHALLENGES

• Striving for quality

Due to the climate in India, milk perishes at a quicker rate particularly under warmer conditions. Therefore storage and refrigeration are vital to maintain the quality of the product so that it can be sold in either the domestic or international markets.

• Scaling up

The Indian population is continuing to grow and demand continues to grow with it. With many small scale farmers unable to afford the technological upgrades needed to scale up their business or to make it more productive, it will be necessary to further leverage microfinancing to assist farmers in the initial stages of the production and to reach greater scalability.

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TATA CONSULTANCY SERVICES

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4.3 CASE STUDY: TATA CONSULTANCY SERVICES - EMPOWERING RURAL FARMERS WITH MOBILE TECHNOLOGY

BACKGROUND

Agriculture is a vital sector to the Indian economy, contributing to 23% of its GDP and employing half of the workforce. However, most rural Indian farmers remain poor and illiterate, with limited access to information and services to improve farming techniques. With over 20 official languages across the country, the language barrier adds to the challenge for services to reach rural farmers across the country. Moreover, the agriculture landscape in India is characterised by the involvement of numerous intermediaries and the lack of access to information often leaves farmers exploited by traders, having to accept whatever prices they offer.

In 2007, Tata Consultancy Services (TCS) set up a research team and conducted intensive interviews to understand how technology

could help tackle the challenges faced by farmers in India. In addition to understanding the information need of farmers, the team discovered that most farmers do have mobile phones, which became the target medium for TCS to deliver services. In 2008, TCS created mKrishi, a customizable Mobile Agro Advisory System, with two primary goals:

1. To enable farmers to send queries specific to their land crop and receive personalised replies from agricultural experts;
2. To build a consortium of partners to provide integrated services to farmers that generate fee-based revenues for the company.

APPROACH

The name mKrishi is a combination of "m" for "mobile" and 'krishi", which refers to

agriculture in many Indian languages. The mKrishi service provides information in local languages on weather, soil conditions, fertilizer and pesticides, the price of grains, and other agriculture-related advice. The initial pilot was implemented in the Bargaon region of Maharashtra. This was chosen because of the availability of agri-experts willing to work for TCS and progressive farmers eager to use new technology. Initially, 25 farmers used the service for more than a year and benefited from the convenient access to much needed information.

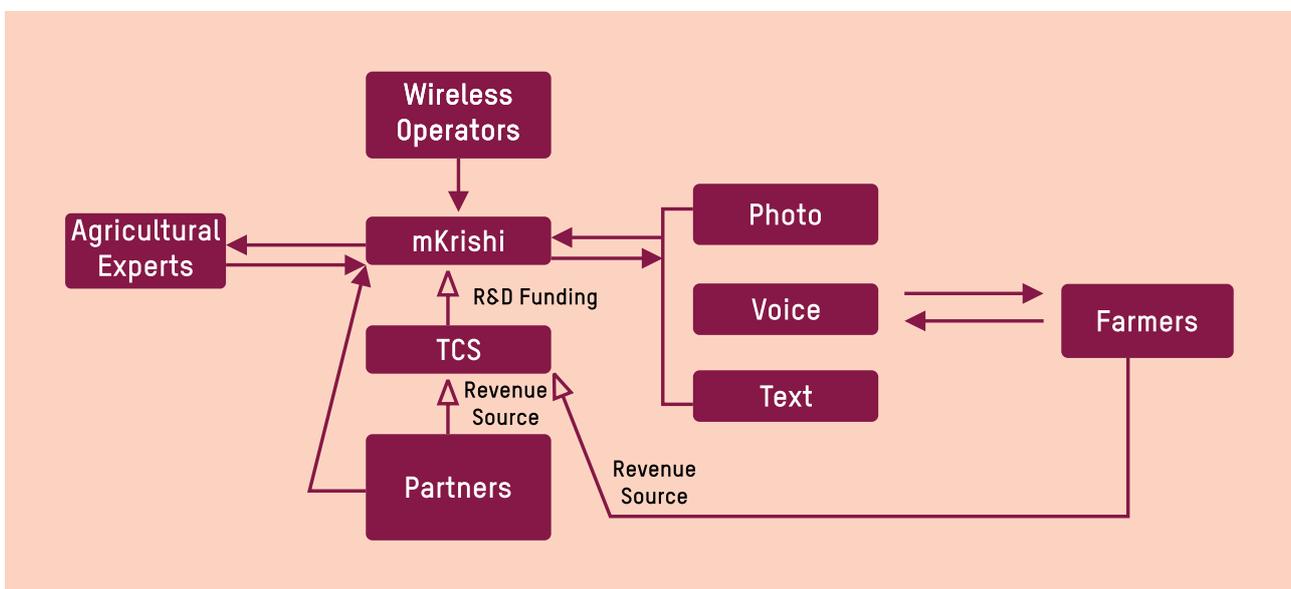
The mKrishi platform offers three different levels of services. The most basic one is mKrishi Lite, an Interactive Voice Response (IVR) system with which users can send and receive voice messages from the agri-experts. With mKrishi Regular, farmers can receive messages after downloading the mKrishi application, while mKrishi Plus offers an Automatic Weather Station (AWS) along with the mKrishi Regular service. The AWS uses sensors placed on the farmer's land and sends updates about rainfall, temperature and moisture at regular intervals. The monthly cost of the three levels of services is 60 rupees (US\$1.2), 100 rupees (US\$2) and 150 rupees (US\$3) respectively.

As shown in the operational model above, TCS's role in the project is to utilise its technology expertise and build up a platform that connects farmers with different stakeholders, as well as to bring together a consortium of partners to deliver integrated services to farmers. TCS has also set up mobile mini sites in selected villages to assist farmers to install the mKrishi application. Based on the success of the pilot project, TCS decided to expand the initiative. Since then, TCS has introduced 12 additional projects in other Indian states, currently serving about 10,000 farmers in all markets.

In terms of the financial sustainability of the project, the mKrishi platform is mainly funded through the research and development budget allocated to TCS Innovation Labs by Tata Group. While TCS is able to generate revenue on fees paid by farmers, the biggest source of revenue is from companies using the platform to reach farmers, including farm machinery companies, irrigation and crop insurance companies, as well as warehousing companies that provide agricultural product storage services.

OUTCOMES

Since 2008, more than 20,000 farmers in 400 villages have subscribed to the mKrishi



Adapted from Business Call to Action (BCTA) "mKrishi Business Operations Model"

service. As the platform uses local language interfaces, including a voice messaging system, mKrishi makes it possible for illiterate farmers to get access to much-needed agricultural information and advice. It is anticipated that the farmers will spend less on pesticides and fertilizers and will experience increased crop-yields. Moreover, the access to real-time local market prices enables farmers to negotiate more effectively with food traders and agents.

The mKrishi platform also benefits a broader group of stakeholders in the agricultural value chain. It saves costs for companies servicing farmers, helping them access real-time information of the supply and demand of farmers. This increases the efficiency of the whole value chain. The access to field micro-data is also a valuable resource for scholars and policy makers and can help enhance the accuracy of agricultural research and planning. Several organisations have approached TCS with an interest in joining the consortium of partners, offering services through the mKrishi platform to farmers.

KEY SUCCESS FACTORS

- **Field research**

The interviews and field research before the launch of the pilot program is a key step for the team to understand the needs of the farmers and the potential tools to be utilised in engaging with them.

- **Cross-sector partnership and technology expertise**

The project was implemented collaboration with partners including Tata Teleservices, M.S. Swaminathan Foundation, Tata Chemicals & Rallies, National Centre of Grapes, Cotton Research Centre and National Commodities and Derivatives Exchange Limited (NCDEX). This helps TCS

overcome many technology challenges and build up the agricultural expertise that could be provided to farmers.

- **Scalable model**

An IP has been generated and TCS has received a provisional patent in India, while mKrishi has also been trademarked. These preparations will help TCS scale up this model through local franchisee operations.

LESSONS LEARNED

- It is important to identify the needs of farmers in the villages from the beginning. Setting up village development committees with members from different strata of the village could be an efficient approach to meet this objective.
- It is challenging to convince farmers to explore the features and benefits of mKrishi, even at a subsidized price. At the experimental stage, it would be helpful to target progressive farmers, whom other farmers typically trust. Once the progressive farmers can prove the effectiveness of the product and service, the rest of the community will follow.
- Other than agricultural knowledge and skills, farmers are also in need of business management expertise, including skills for negotiating with distributors and companies, in which area mKrishi could further enhance.

QUOTES

“The initial trigger was my informal interactions with farmers from Yavatmal. I found them distressed. After listening to their plight, I thought ICT could play an important role in alleviating their misery. So I started working on the idea of customised

agriculture advisory service, taking farmers to the expert rather than expert visiting the farm...”

- Dr. Arun Pande, founder and director of IT Innovation for Masses and former head of TCS Innovation Labs

“Telecommunication is likely to bring about meaningful, large scale, transformation in developing countries, especially in rural areas where infrastructure is limited. IT has both business interest and social responsibility in enabling these transformations. mKrishi is an experiment in this direction.”

- K. Ananth Krishnan, Vice President and Chief Technology Officer, Tata Consultancy Services

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5. INCLUSIVE BUSINESS: EMPOWERING WOMEN ALONG THE VALUE CHAIN

According to World Economic Forum's 2014 gender gap index, India is among the bottom 30 out of 142 countries worldwide, especially with lower than average scores in parameters including women's economic participation, educational attainment and health and survival. Due to social, cultural and religious barriers, although women make up around half of the population, much of the talents, human capital and economic potential of women still remain untapped in India. Especially in many rural areas, women are still a marginalised and vulnerable group. However, we should be optimistic as we are expecting this to change over the next decade. As indicated by one of the 17 Sustainable Development Goals agreed by the 193 member states of the United Nations including India, governments and different stakeholders made the commitment to work together towards one goal: to achieve gender

equality and empower all women and girls by 2030.

To reach this goal, the private sector has a significant role to play along their value chain: to provide employment opportunities, to ensure adequate training, to include women as suppliers and distributors, and last but not the least, to nurture female entrepreneurs. While many companies have been promoting gender equality and women empowerment in their corporate social responsibility initiatives, there is still a huge gap of understanding in terms how businesses can integrate women empowerment in their organisational culture and business strategies. Through engagement with business representatives in India and gathering their thoughts on what kinds of business opportunities and challenges they have identified in existing

initiatives, we have identified some key factors that businesses can take into consideration when developing their women empowerment roadmap.

START AT THE TOP AND FROM WITHIN

One of the key success factors of women empowerment projects is senior level buy-in both at the board level and from senior executives. Yet, the shortage of women



on corporate boards remains one of the major gender gaps. According to a research conducted by Credit Suisse about women in senior management, Indian companies on average have only 6.7% of women on boards as of 2013. Even after India's financial regulator ruled that listed companies need to have at least one woman on the board, 12% of the companies listed at India's National Stock Exchange failed to comply according to PRIME database. This underlines a major obstacle for women to have their voice heard and for women empowerment projects to take off in many companies.

For companies with an ambition to tackle this obstacle, some questions to ask when reflecting on internal governance systems include: Does the board have a balanced gender representation? Are there female senior executives that are responsible for decision making? Are there policies and mechanisms in place to ensure that women

employees and candidates are treated equally in employment decisions? What kinds of benefits, such as parental leave and mentorship opportunities are provided to women employees?

COLLABORATE AND ENGAGE

When senior level support and internal organisational alignment are in place, another key challenge faced by companies is how to reach out to relevant women groups in the community. Since companies usually don't have a direct connection with local women groups, especially in rural villages, it is more effective and efficient for companies to partner with NGOs or other organisations such as micro-finance institutions that have already established long-term relationships with communities and built up mutual trust with the women groups.

For example, one of the common partners of many women empowerment projects in India (e.g. YES BANK's Livelihood Enhancement Action Programme, namely YES LEAP, and Unilever's Shakti programme) is the women self-help groups. These groups are typically comprised of 10-20 members from local villages that make small regular contributions to a common fund. As the fund grows money can be lent back to members to meet their needs, including upfront investment for setting up small businesses. By tapping into the vast network of women self-help groups, companies can gain access to some of the most innovative and progressive women in communities that have an entrepreneurial spirit and can amplify the impact of women empowerment projects in their communities.

Moreover, the private sector also needs to step up and collaborate with the government to enhance the social recognition and welfare of working women. This is important to ensure working women are entitled to the social benefits that they deserve. As

an example, Jaipur Rugs, one of the largest manufacturers of hand-knotted rugs in India which supports the livelihood of over 30,000 home-based women artisans, has been making efforts to help the artisans obtain subsidies and the “Artisan Card” from the government. The Artisan Card makes the artisans eligible to receive associated benefits including discounts on health insurance schemes, access to credit at preferential rates and scholarships for their children’s education. Some of these efforts might not be directly connected to the business, but the social benefits brought to the women groups can be an incentive to retain the weavers and help maintain a stable supply chain, which are essential for the long-term business success.

BUSINESS MODEL: RETHINK AND INNOVATE

A women empowerment initiative can start from senior level commitment and grow with multi-stakeholder partnerships. However, what lies at the heart of achieving gender inclusion is an understanding of the roles that women can play in the core business. It takes some innovative re-engineering of existing business models and thinking one-step further to unleash women’s potential across different parts of the value chain.



For example, women are traditionally considered as the major consumers, yet their potential as the “last mile distributor” can be ignored. Unilever managed to identify this potential and launched programme Shakti, which means “empowerment” or “strength” in Sanskrit. Shakti leverages the network of self-help groups in villages in India and chooses one woman (or sometimes more, depending on the size of the villages) from the self-help group to become a Shakti-amma or Shakti entrepreneur, who will promote and distribute Unilever products within a group of four to six neighbouring communities. These Shakti entrepreneurs are supported by Unilever with training on commercial skills to become a distributor. As a result, project Shakti not only helped the women entrepreneurs enhance their income and social status, but also enabled Unilever to scale up its rural distribution network and generate sustained consumer demand in more than 165,000 villages across 15 states in India.

LOOKING FORWARD

On one hand we have seen more and more women empowerment programmes scaling up and achieving social and economic impact. On the other, we have to recognise that these are still far from enough to achieve systematic and sustained impact in empowering women. We need more businesses to understand the value of empowering women in business practices and as a result create new inclusive business models to capture that value.

Businesses need to recognise that there is a multiplier effect when businesses invest in women empowerment – they will also generate positive impact on families, communities, villages and even nations. We need more companies to rethink their business strategies and create shared value for both women and their own value chain.

We need more gender inclusive initiatives from the private sector in partnership with NGOs, governments and different stakeholders. We also need continuous monitoring, assessment and disclosure of women empowerment initiatives so that they can be shared as best practices.

By highlighting some best practices of the private sector's efforts in women empowerment, our intension is not to provide universal solutions for businesses, but to encourage discussions from different stakeholders and to inspire more inclusive business models that will bring about positive impact to women, as well as more broadly the families and communities that they are connected with.

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5.1 CASE STUDY: JAIPUR RUGS - WEAVING THE LIVES OF THE POOR INTO THE GLOBAL MARKET

BACKGROUND

The rug industry can be traced back over 2500 years in India. Even today, India still remains one of the world's largest exporters of hand-knotted rugs. However, most weavers have been living at the bottom of the pyramid (BoP) with low incomes and are often exploited by middlemen including those that own the looms and buy the completed products from the weavers. Jaipur Rugs seeks to change all that.

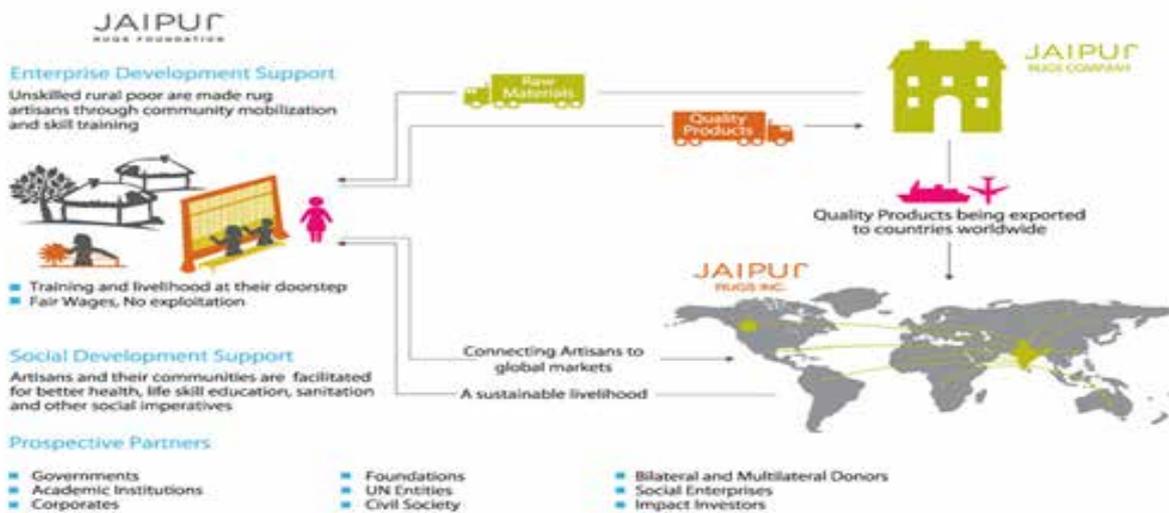
Started by Mr. N.K. Chaudhary with only two looms installed in his own home over 30 years ago, Jaipur Rugs has evolved into one of the largest manufacturers of hand-knotted rugs in India. When starting the business, there were many weavers in Mr. Chaudhary's hometown. He was told that "these are the untouchable people" and "not allowed at home". However, this made Mr. Chaudhary

realise that a person, whether from upper caste or lower caste, should be judged by his or her own efforts and worth instead of caste. Over the years, the business of Jaipur Rugs has been evolving, while the social mission has been kept at the core of its philosophy: to empower the marginalised weavers and connect them with the global market.

APPROACH

Jaipur Rugs has built up an integrated business system across the value chain of the rug industry, including the sourcing of raw materials, rug manufacturing, exporting and wholesaling. The business operations are supported by three different entities: Jaipur Rugs Company (JRC), Jaipur Rugs Incorporated (JRI) and Jaipur Rugs Foundation (JRF). JRC is responsible for the design and manufacturing of rugs, with headquarters in Jaipur and branch offices

across India. The finished products are for export only. JRI handles the sales and export, with headquarters in Atlanta, U.S.A. The JRF, a non-profit organisation, was set up in 2004 to support the social mission of Jaipur with entrepreneurship development and social well-being development programmes. The JRF also coordinates the recruitment and training of artisans that weave the rugs for JRC. The chart below illustrates how the three entities work together and build up Jaipur Rugs' inclusive business model.



whom are women. As the business grows, JRF has been making continuous efforts to recruit and provide training to weavers, including selecting “masters” among the experienced weavers as trainers. JRF has also connected the weavers with beneficiary programmes including healthcare, education, insurance and financial inclusion initiatives. JRF has helped over 2,000 weavers to obtain the “Artisan Card”, which is issued by the government to recognise artisans’ social status and make them eligible to receive associated benefits including discounts on

OUTCOMES

Over the years, Jaipur Rugs has been helping the poor, especially low-income women in India to gain access to weaver employment opportunities in their own communities, creating a local cluster of economic activity. Jaipur Rugs has built up its brand with both the design and quality of its products, and its community-rooted social mission. Jaipur Rugs changed the traditional model of middleman-owned looms and enabled the weavers to own their own looms. The 7,000 looms owned by the artisans create more than 500,000 rugs per year, which are exported to over 40 countries across the world.

As of 2015, Jaipur Rugs provides sustainable livelihoods to over 40,000 home-based artisans across 600 villages in India, 80% of

health insurance schemes, access to credit at preferential rates and scholarships for their children. JRF has also facilitated the opening of bank accounts for artisans and in some cases, provides loans to artisans to help them develop their business.

A recent impact assessment report by Grassroots Business Fund (GBF) demonstrates that Jaipur Rugs has enhanced the social status of women and created real social impact through reductions in child marriage and women’s increased decision-making powers in families.

KEY SUCCESS FACTORS

The physical and emotional connection with the grassroots community is the foundation of Jaipur Rugs’ social-economic business

model. Mr. Chaudhary believes that Jaipur Rug's mission is not only to enable weavers to weave rugs, but also to "weave their lives". Jaipur Rugs helps weavers to obtain subsidies from the government, which has helped to finance up to 75% of the cost of the looms. This helps weavers take the ownership of looms and become financially and socially independent.

With such a decentralised system, the efficiency of the supply chain is crucial. Jaipur Rugs has adopted an Enterprise Resource Planning (ERP) system to increase the efficiency of its supply chain with quality control functions, communication networks and progress record tracking. The logistics of delivering the raw materials and picking up the woven rugs are arranged by Jaipur Rugs, which enabled the weavers to concentrate on the weaving work.

LESSONS LEARNED AND FUTURE PLANS

Quality control in the weaving and finishing process has been a challenge for Jaipur Rugs given its huge decentralised manufacturing network. Jaipur Rugs has adopted a system to ensure quality control. However, this is not enough, if defects were not communicated back to the weaver. Thus Jaipur Rugs hires area commanders who know how to weave and can visit every loom on a weekly basis to help correct and retrain the weavers during the weaving process if necessary. This helps reduce the number of defects significantly when delivered to headquarters.

Another approach to ensure quality control is the adoption of uniform "weaving maps",

which helps weavers easily understand where to put each strand of coloured yarn. This improves the efficiency of the manufacturing process and enables those without weaving experience to learn quickly.

In the future, Jaipur Rugs hopes to further empower the weavers and bring out their spirit of innovation and entrepreneurship. Weavers are encouraged to come up with their own design and styles instead of always sticking to the patterns on the weaving maps. As more and more weavers become motivated by the idea of "self-design", Jaipur Rugs expects to launch more programmes to meet this objective.

Another vision of Mr. Chaudhary is to connect the weavers with customers. "We are over there", said Mr. Chaudhary. In recent years, Jaipur Rugs has been striving to build a platform where every customer can trace their rugs to source and truly "touch" the lives of the weavers. With the adoption of modern communication technology and business-to-business (B2B) e-commerce platforms, it is expected that Jaipur Rugs will bring the connection between the weavers and the global market to a new level.

QUOTE

"We enable the poor to start weaving not just rugs, but also their own lives... I want Jaipur Rugs to be a platform of connecting the end-consumers with the artisans so that they can emotionally connect with one another".

- Mr. N.K. Chaudhary, founder of Jaipur Rugs

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Hindustan Unilever Limited

5.2 CASE STUDY: HINDUSTAN UNILEVER - EMPOWERING WOMEN ENTREPRENEURS AS LAST MILE DISTRIBUTORS

BACKGROUND

At the end of the 1990s, Hindustan Unilever (HUL) hit a bottleneck in sustaining its revenue growth. In the process of looking for new business opportunities, HUL realised that even with its sophisticated distribution network which was one of the largest of its kind in the country, its products reached less than 15% of the villages in India. It meant that there were 500 million potential customers in more than 500,000 rural villages that neither HUL nor its competitors had reached.

Expanding its distribution network to these rural villages could potentially help HUL access a huge untapped market, but doing this in the traditional way was simply too costly. Therefore, instead of leveraging its existing distribution channels, HUL decided to take a new approach: to empower the

people in the villages, especially women, to become HUL product distributors. As such, HUL launched project Shakti in 2001.

In Sanskrit, "Shakti" means "empower" or "strength". As its name indicates, project Shakti aims to empower rural women and engage them in HUL's distribution network. Starting with 17 "ammas" (women) in two states selling shampoo and skin cream to friends and families in remote villages, the project has now expanded to more than 165,000 villages across the country. It has become a model for reaching out to rural consumers and has been adjusted and adopted in different countries including Bangladesh, Sri Lanka and Vietnam.

APPROACH

To connect with women in rural villages, HUL tapped into the growing number of women's

self-help groups. These groups are typically comprised of 10-20 members from local villages that make small regular contributions to a common fund. As the fund grows money can be lent back to members to meet their needs, including upfront investment for entrepreneurship. The Shakti project team would make presentations at self-help group gatherings and invite women with entrepreneurial potential to join the Shakti programme. After further engagement, one woman would be selected from each self-help group to become a Shakti entrepreneur.

Once the Shakti entrepreneurs were on board, HUL provided them with training on basic accounting, sales skills, health and hygiene and relevant IT skills. The Shakti-ammans would then promote and distribute HUL products either in their existing shops or through walking door-to-door in the neighbouring communities. Other than selling products, the Shakti-ammans were also educating their communities on hygiene issues – for example, by explaining how to brush teeth properly while selling toothpaste.

In terms of financing, each Shakti-amma invests around US\$220 to buy an inventory of HUL products. Shakti-ammans would usually borrow from self-help groups or micro-finance organisations, in addition to drawing from their own savings. The net profit after deducting expenses and loan repayments amounts to around US\$20 per month, which is equal to or exceeds the average monthly income in rural India.

As the programme expands, HUL has also built alliances with telecom and banking companies so that Shakti-ammans can sell telecom prepaid cards and SIM cards, as well as act as banking correspondents to help other villagers open bank accounts. Such add-ons bring in more income to the Shakti entrepreneurs, while also contributing to the digital and financial inclusiveness of rural

villages. Project Shakti has been extended to include “Shaktimaans” in 2010, who are typically the husbands or brothers of the Shakti-ammans. These support of these male members in Shakti-ammans’ families are an important complement to the existing programme and helps the “Shakti families” further increase their household income.

OUTCOMES

In the past decade, project Shakti has been able to financially empower rural women and create livelihood opportunities for them and their families through providing a regular income stream. As of 2014, there were more than 65,000 Shakti-ammans and 50,000 Shaktimaans selling HUL products to over 4 million low-income households in 15 states across India.

For Shakti entrepreneurs, the benefit of the project went far beyond increased income – it brought them a sense of social empowerment and recognition. As mentioned by one of the Shakti-ammans, “When they see me, they crowd around me and call me ‘Shakti-amma’...I am someone today”.

Through selling HUL products such as soaps, shampoo and water purifiers, as well as Shakti-ammans’ efforts to educate villagers about hygiene issues, project Shakti has also contributed to the improvement of health and sanitation conditions in rural India.

For HUL, project Shakti has not only helped the company scale up its distribution network, but also created a dynamic ecosystem that is comprised of the communities, the local entrepreneurs and the company. It not only tackled the “reaching out to BoP” issue, but also created sustained local demand through consumer education and promoting behaviour change via the Shakti entrepreneurs.

SUCCESS FACTORS

Selecting the right person to become a Shakti entrepreneur was key to the project. HUL designed a list of criteria when selecting Shakti entrepreneurs, including in-depth connections with villages, willingness to learn new things and having supportive family members. More importantly, HUL carefully selects those for whom earning US\$20 a month would make a fundamental change to their lives. HUL also takes into consideration the long-term stability of the distribution network, thus most Shakti-ammass are married and have children, which makes them less inclined to leave the village.

According to Mr. Vijay Sharma, the former Business Head of project Shakti, underpinning the success of the project is the commitment from senior management. As Mr. Sharma recalled, the first three years was a challenging period when the project was not making profits and the business model went through multiple rounds of adjustments. It is important for the managers to understand that for projects like Shakti, it takes time for the project to expand and blossom, yet it is only able to

become profitable when it reaches a certain scale. With the commitment from the top management, the Shakti project team managed to secure the necessary financial and human resources internally and made the business model profitable after three years.

LESSONS LEARNED

Project Shakti has always had a clear profit-making objective. "When it is not profitable, there must be something wrong with the model – you need to figure out where you can become more cost-effective", Mr. Sharma recalled. Without this business-oriented mindset, project Shakti would not have become a scalable and sustainable project as it is today, generating profit and benefitting both Shakti entrepreneurs and HUL.

As the network of Shakti entrepreneurs scales up, the size of operations becomes another challenge for HUL. While HUL has managed to maintain Shakti as a self-sustaining model, the next step for HUL lies in leveraging modern communication technologies and its NGO partners to organise the ever growing network of Shakti entrepreneurs in a cost-effective way.

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5.3 CASE STUDY: YES BANK - SAY YES TO INCLUSIVE AND SOCIAL BANKING

BACKGROUND

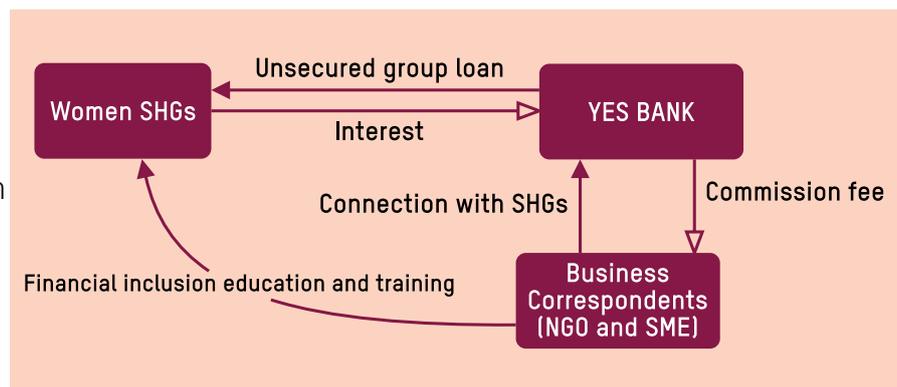
Despite of the efforts made by banks in India to reach out to rural areas in recent years, India remains a highly unbanked country, with more than half of the population financially excluded. In 2004, Mr. Rana Kapoor left his job at a multinational bank and started YES BANK with a vision of driving inclusiveness and sustainability across India, and to serve the 600 million unbanked people.

YES BANK has an Inclusion and Social Banking (ISB) division that specialises in engaging the unbanked and under-banked populations in India. It uses sophisticated financial tools and adopts advanced technologies that are traditionally available

only to big businesses, to develop offerings for the marginalised poor.

APPROACH

Launched in September 2011, YES Livelihood Enhancement Action Programme (YES LEAP) was one of the pioneer programmes that paved the way for many of the other financial inclusion products and services developed by the ISB division. YES LEAP provides



comprehensive financial services, including credit, savings and micro-insurance, to women Self Help Groups (SHG). These groups are typically comprised of 10-20 women from local villages that make small regular contributions to a common fund. As the fund grows, money can be lent back to group members to meet their needs.

As indicated in the diagram, YES LEAP adopted a pioneer Business Correspondents (BCs) model. The BCs, which include NGOs, Self Help Promoting Institutions (SHPI) and SMEs that had already established long-term and credible connections with the SHGs, serve as an important nodal point for the facilitation of YES BANK's financial inclusion services. The BCs typically provide financial inclusion education to the SHGs and help to introduce YES BANK's products and services to the SHGs. After getting SHGs on board with the YES LEAP programme, the BCs are also involved in providing training to the SHGs and facilitate document collection and distribution. As a return for the BCs' facilitation, YES BANK pays a commission fee, which is around 40-50% of the interest rate that the bank receives from the SHGs.

What also differentiates YES BANK from other existing lending channels is how it designs its products to adapt to the capability and demand of the women SHGs. Usually the most convenient way to borrow money for people in remote rural villages is from informal lenders in the villages that extend loans at an interest rate as high as 100%. While micro-finance institutions which are becoming more prevalent in recent years offer a lower interest rate than usuries, it is still difficult for women in rural villages to access credit as individuals because collateral is often needed. YES LEAP closes this gap through providing an unsecured group loan to women SHGs, offering an interest rate comparable to or even lower than micro-finance institutions. The nature of SHGs also ensures that each

woman involved in these groups can have access to the fund when in need.

OUTCOMES

After four years of development, the YES LEAP programme has reached over 1.3 million women customers across 5,000 villages and disbursed a total of US\$ 500 million in loans. The loan repayment rate is close to 100%. As mentioned by Mr. Sushanta Tripathy, vice president of the ISB division at YES BANK, considering the multiplier effect, YES LEAP's cumulative disbursement has influenced almost US\$1.5 billion in the Indian economy. Moreover, YES LEAP has made immeasurable impact on the women involved, contributing to the social empowerment and financial security of women, as well as enabling women entrepreneurs to develop their own businesses.

YES BANK has 42 partner BCs, with over 700 branches across 19 states in the country. The partnership and connection with SHGs has also enhanced YES BANK's regional expansion, enabling other financial inclusion products to reach the rural villages. For example, YES BANK developed YES Kisan Dairy Plus, which provides an instant, secure and traceable payment solution specifically for farmers in rural areas. The access to women SHGs was of great value in introducing the YES Kisan Dairy Plus solution to the farmers that are either part of the SHGs or the relatives of SHG members.

KEY SUCCESS FACTORS

- **Business Correspondent model**

It has always been a challenge for banks to get access to remote rural villages due to physical barriers. It is essential that YES BANK managed to find the right grassroots partners that understand the financial inclusion needs and can also effectively

facilitate with distribution and training activities. The effective feedback loop at the grassroots level also helps YES BANK improve the affordability and accessibility of the products and services.

- **Real-time monitoring technology**

Very few banks in India have pushed the technology agenda like YES BANK. As the network of BCs and customers expanded, YES BANK was faced with the challenge of monitoring and tracking the programme in a timely manner. To tackle this challenge, YES BANK tapped into a vast network of service providers and invested in a real-time internet based communication system. This enables effective communication between YES BANK and the BCs across the country and also enhances the bank's risk control mechanism.

LESSONS LEARNED AND FUTURE PLANS

In four years, YES BANK has grown into the leading social and inclusive banking service

provider in India with an extensive network of low-income customers. However, YES BANK continues its innovation efforts – not only in relation to technology, but also in understanding the ever changing demands of customers. According to Mr. Tripathy, YES BANK has set a target to double the amount of loan disbursement under YES LEAP every year over the next 3-5 years. “The more customers we have, the higher expectations we receive. As customers have more access to credit, their needs will also evolve. We cannot afford stopping where we are - we need more innovation to adapt to our customers' demand.”

In December 2014, YES BANK announced that it raised a loan of US\$200 million from the Asian Development Bank (ADB) to take forward its objective of financial inclusion in India. The bank also received US\$1 million in aid to improve its real-time monitoring platform. This is expected to strengthen YES BANK's position in expanding its financial inclusion services across India.

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6. CREATING SHARED VALUE THROUGH INCLUSIVE BUSINESS

The inclusive business concept aims to address poverty through sustainable business models. Inclusive business strategies seek to engage with poor people through interventions in a company's value chain that can provide solutions to poverty whilst also benefiting the business by improving the competitiveness of the value chain.

Two-thirds of the world's population live in poverty and many of them lack access to basic services. Women are often particularly vulnerable. The same is true of human rights since poor people are vulnerable and are often victims of abuses. Poor people alone are often unable to improve their economic prospects and inclusive business interventions are aimed at creating economic opportunities for them along commercial value chains of lead businesses.

The private sector has played an important role in alleviating poverty, creating the jobs and wealth that can provide people with the economic opportunities through employment and supply chain opportunities for small businesses. But there is more that the private sector can do and many businesses are increasingly interested in finding solutions to reduce poverty, engaging the poor, scaling up successful inclusive business models and contributing to the development process.

Successful inclusive business strategies should be based on three characteristics:

1. **Improving the living conditions for poor and marginalised people:** Increased incomes and employment opportunities, increased knowledge and skills, access to markets, improved infrastructure, access to goods and services and premium prices benefiting poor communities.

2. Creating shared value: Low-income communities are integrated into efficient value chains of companies in a productive way, increasing incomes, improving living conditions and creating a more efficient, resilient and competitive value chain.

3. Commercial success for businesses: Lower supply costs, increased productivity, improved quality, differentiation opportunities and market expansion through the inclusion of poor people creating long term economic value.

The inclusive business approach will leverage a range of innovative initiatives that allow a lead business to include poor communities into its value chain, generating shared value for the business and those communities. It creates growth, productivity, profits and new opportunities for the business, at the same time generating jobs, income, wealth and new business opportunities for the poor and creates a potential win for the environment and resources by introducing more sustainable techniques and technologies.

A successful inclusive business strategy aims to include the poor in the value chain of a lead business as growers, producers, suppliers, distributors, agents, employees, business owners and customers in ways which enhance the competitiveness of the value chain and provide commercial opportunities for the business, while advancing the economic, environmental and social conditions of the communities where it operates.

The value chain includes all the parties that perform activities which are required to bring a product from its design, through different phases of processing and distribution to the final consumer. An inclusive business strategy will examine the interventions that can be leveraged by a business at different points in the value chain to create new

opportunities for poor and marginalised people. Such interventions will aim to include the poor and other marginalised groups in the value chain in a productive way by:

- Providing job opportunities in value chains
- Investing in skills development, education and quality improvements that can leverage productivity enhancements and increase incomes
- Providing secondary incomes to people through a diversification of the local economy and identifying new market opportunities
- Improving the efficiency and effectiveness of a value chain to create larger margins for the poor and contribute to the competitiveness of the whole value chain
- Investing in entrepreneurship and new small businesses that can provide useful goods and services that feed into the value chain of a business and create clusters of local economic activity
- Establishing and strengthening policies, standards, institutional infrastructure and physical infrastructure so that poor people can get easier access to employment, markets for their products and improved distribution
- Innovation to create affordable goods and services that poor people can produce, distribute and consume
- Increasing the transparency of the value chain and improving access to information so that the share of benefits of the whole value chain are distributed equitably

Inclusive business strategies should be guided by a number of principles that will help to define the possible value chain interventions that will be of most benefit to

the poor and marginalised, whilst creating competitive advantage for the lead business:

- Stakeholder engagement to ensure that inclusive business interventions are accepted by communities and that opportunities are aligned with the aspirations of poor people
- Considering multiple interventions along the value chain that together can leverage maximum benefit for poor people and their communities
- Maintaining good governance and transparency around any inclusive business strategy to avoid further exploitation of poor people through corruption, illegal activities and human rights abuses
- Monitoring and assessment to ensure that the outcomes of inclusive business interventions are effective and providing benefits to poor people and communities that are identifiable and measurable
- Flexibility in the design and delivery of inclusive business interventions recognising that not all attempts to meet the needs of the poor will be successful and realising that interventions may need to be changed or even abandoned over time
- A longer term plan to develop interventions that become scalable over time – successful inclusive business strategies ought to be scalable in their nature because they generate commercial benefits for companies

There are many opportunities to create social and environmental value whilst increasing the competitiveness of the value chain of a company, that is, as part of the “core business” strategy. The shared value philosophy advocates meeting social

needs in a way that creates commercial success. Inclusive business approaches are consistent with that vision, seeking to end poverty and to boost prosperity for poor people and the lead business. In the end, the objective is clear: The private sector has an important role in creating positive social impact through poverty reduction, shaping markets and facilitating new opportunities.

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