



# BUSINESS+

**INCLUSIVE BUSINESS: A NEW, SUSTAINABLE AND INNOVATIVE PRIVATE SECTOR**

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**in collaboration with UNDP IICPSD**

# 2030 Agenda for Sustainable Development



# Inclusive Business

A private sector approach to providing goods, services and livelihoods on a **commercially viable** basis, either at scale or scalable, to people living at the base of the economic pyramid (BoP) **making them part of the value chain** of companies' core business as **suppliers, distributors, retailers, or customers.**

<https://www.youtube.com/watch?v=0dZgHo4H2h4>

# Inclusive Business: Examples

Taze & Kuru: In December 2013, Taze Kuru Gıda Inc. joined the Business Call to Action with a commitment to source from 100 smallholder farmers in Turkey in order to produce high quality, healthy dried foods using environmentally friendly geothermal energy.

[http://www.businesscalltoaction.org/wp-content/files\\_mf/bcta\\_casestudy\\_tazekuru\\_web.pdf](http://www.businesscalltoaction.org/wp-content/files_mf/bcta_casestudy_tazekuru_web.pdf)

# Inclusive Business: Examples

Turk Telekom: Life is Simpler with Internet

<http://www.tr.undp.org/content/turkey/en/home/presscenter/news-from-new-horizons/2016/04/life-is-simpler-with-internet-in-50-cities-in-turkey.html>

# Phases of the Research

- **Step 1: Literature Review**

Review of 1319 articles from Social Sciences Citation Index and grey literature reports published by UNDP, Ashoka, Worldbank, IFC, and Endeava.

- **Step 2: In-depth Interviews**

Interviews with managers or owners of 10 companies operating in Turkey including multinational corporations, large national companies, and SMEs

# Phases of the Research

- **Step 3: Case Analysis**

Analysis of 150 inclusive business cases from all over the world to identify the key success factors, factors for scaling up and challenges faced.

- **Step 4: Survey Research**

Web-based self-administered survey was sent to top executives of 680 companies. 152 responses received.



## **Growing Inclusive Markets**

Business Works for Development • Development Works for Business

Celtel International, the African subsidiary of the Kuwait-based mobile telecommunications company MTC, is the leading pan-African mobile communications group, with headquarters in Amsterdam and operations in 15 African countries. Celtel entered the Democratic Republic of Congo (DRC) market in 2000, when the civil war was still raging and faced a market with widespread insecurity, poverty, depleted human capacity, and political and regulatory uncertainty. In addition, there was little to no infrastructure and no existing banking network. This case looks at how Celtel addressed these special challenges and how the company managed to turn some of them into business opportunities while benefiting the people and the economy of the country. Through its business activities, Celtel has injected cash into rural economies, created hundreds of direct jobs and thousands of indirect jobs, and improved the lot of many urban and rural families, allowing the exchange of information among communities previously isolated by war and the lack of infrastructure.

Celtel has gained over two million customers in DRC, out of a total African client base of 20 million, while contributing to the reunification of the DRC after the ten-year conflict. Celtel also established Celpay (previously part of Celtel and now owned by FirstRand Banking Group) as a mobile banking system to compensate for the lack of a national banking network.





## **Growing Inclusive Markets**

Business Works for Development • Development Works for Business

Only ten percent of Mali's 12 million inhabitants have access to electricity, a figure that goes down to two to three percent in rural areas where appliances are powered by car batteries and kerosene lamps, and where candles are used for lighting. Koraye Kurumba and Yeelen Kura are two Rural Energy Services Companies (RESOs) created in 1999 and 2001 in two areas of rural Mali. The companies were created by France's electricity company EDF, in partnership with the Dutch energy company NUON, the French TOTAL and with the support of the French Agency for the Environment and Energy Efficiency. The provision of low-cost electricity, based on solar home systems or small low-voltage village micro-networks supplied by diesel generators, resulted in undeniable development impacts, such as enhancing standards of living, favoring the development of income-generating activities, and improving quality of healthcare and education. Backed by a new institutional framework and international donors, the model— designed to ensure profitability, sustainability, replicability and local ownership— is to be expanded beyond the 24 villages and 40,000 people it currently serves.

# Case Analysis G20 Framework

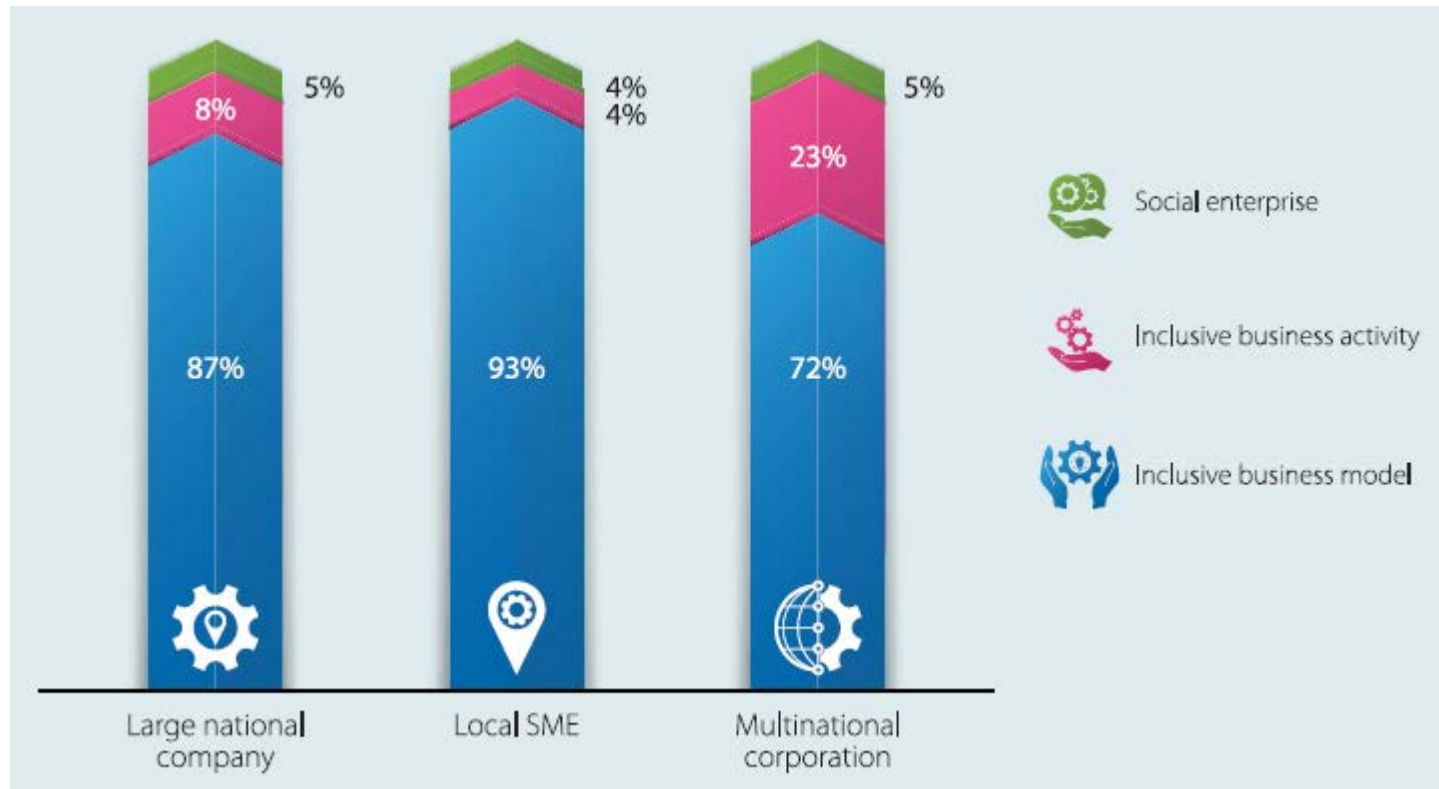
	INCLUSIVE BUSINESS MODELS	INCLUSIVE BUSINESS ACTIVITIES	SOCIAL ENTERPRISE INITIATIVES
BOP's Relationship to Business	Core Value Chain	Ancillary	Ancillary or Core Value Chain
Financial Return Expectations	Market Returns	Market Returns or Below Market Returns	Not Profit Maximizing
Primary Funding Type	Commercial	Commercial	Mixed

# ***Critical Success Factors***

**1** **The business model:** How inclusive the core operations of the business are

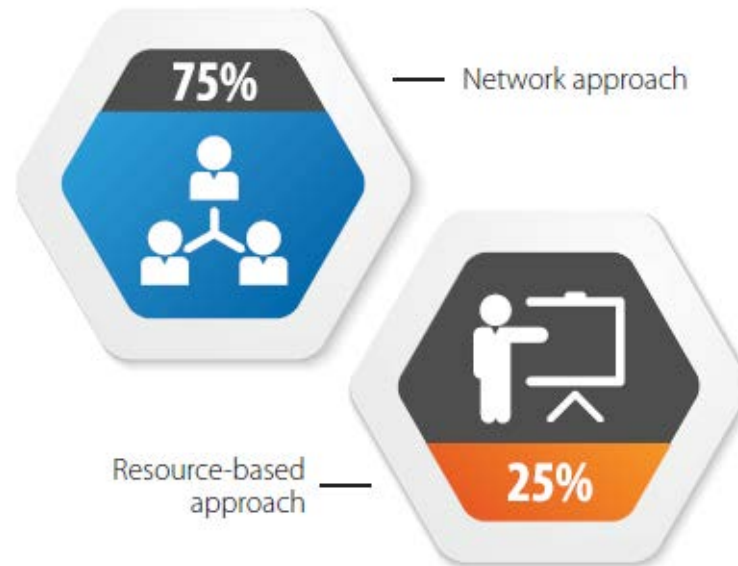
**2** **Partnerships:** To what extent initiatives collaborate with other stakeholders

**3** **Innovation:** How innovative the business is



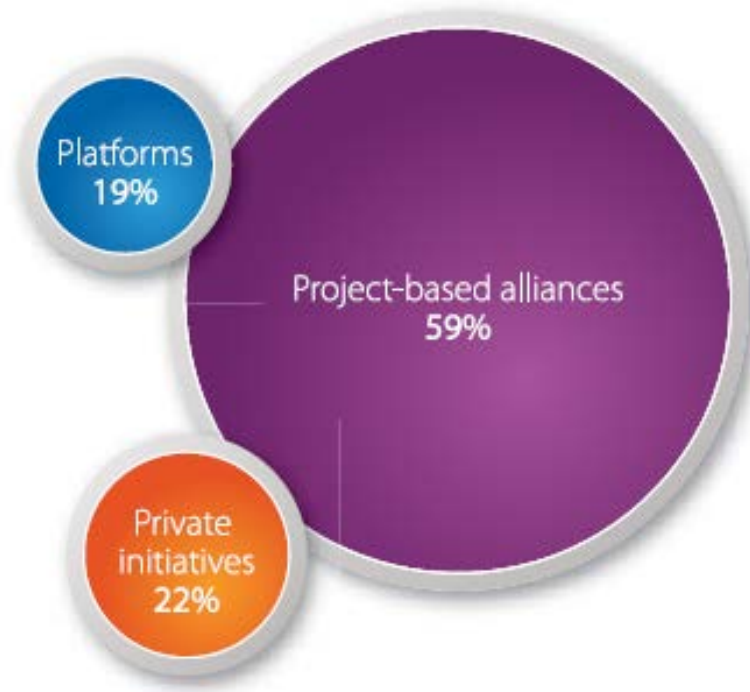
- **Inclusive business models** constitute 82% of the (analyzed) successful cases, followed by inclusive business activities (10%) and social enterprises (8%).

# ***Business models do make inclusive businesses succeed***

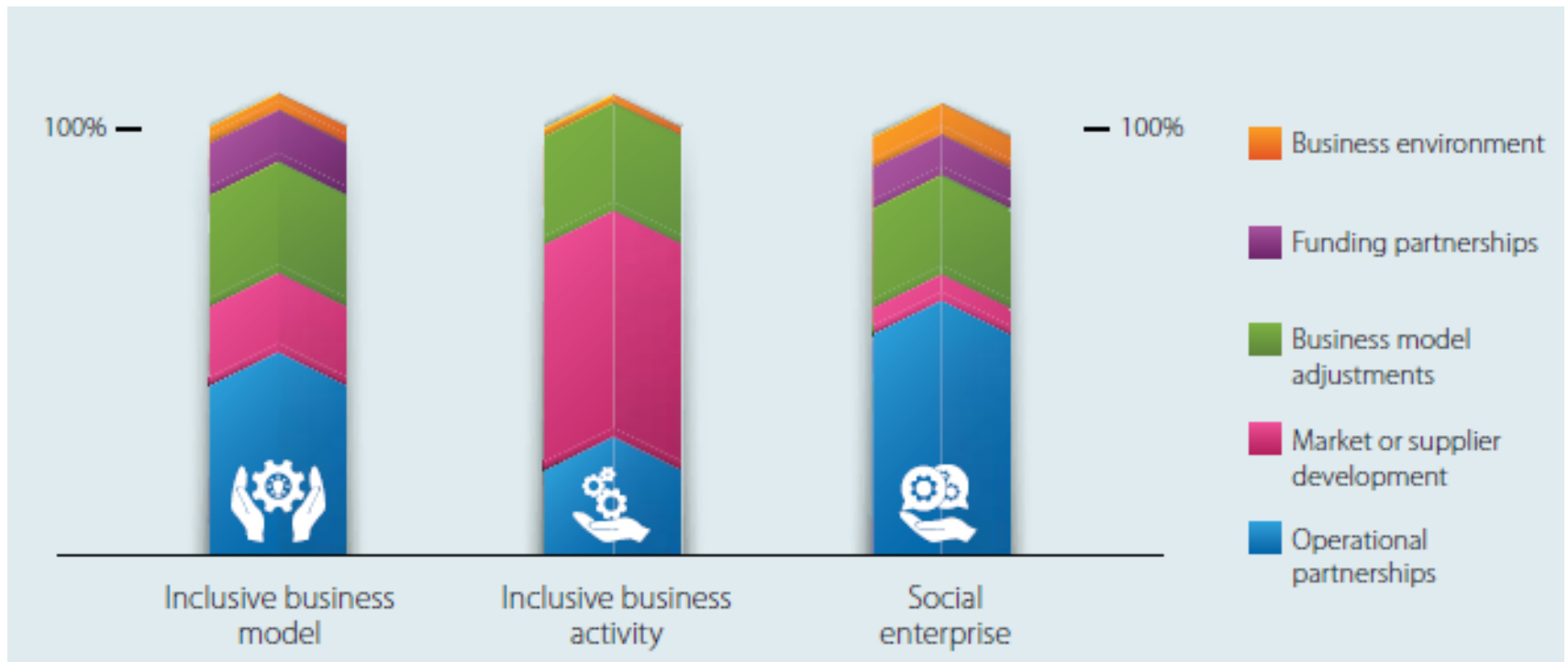


- The network of relationships emerged as a source of competitive advantage.
- The vast usage of network approach further stress that collaboration makes firms successful in their inclusive businesses.

# *Collaborations*



- Creating a conducive environment for collaboration among different stakeholders can bring about and scale collaborative business solutions to challenges the poor face today.



•Operational partnerships emerge as the main factor for growth both inclusive business models and social enterprises while the main factor for growth for inclusive business activities is market and supplier development.

•These findings suggest that **collaborations and partnerships in the operational domain can help companies to scale-up.**

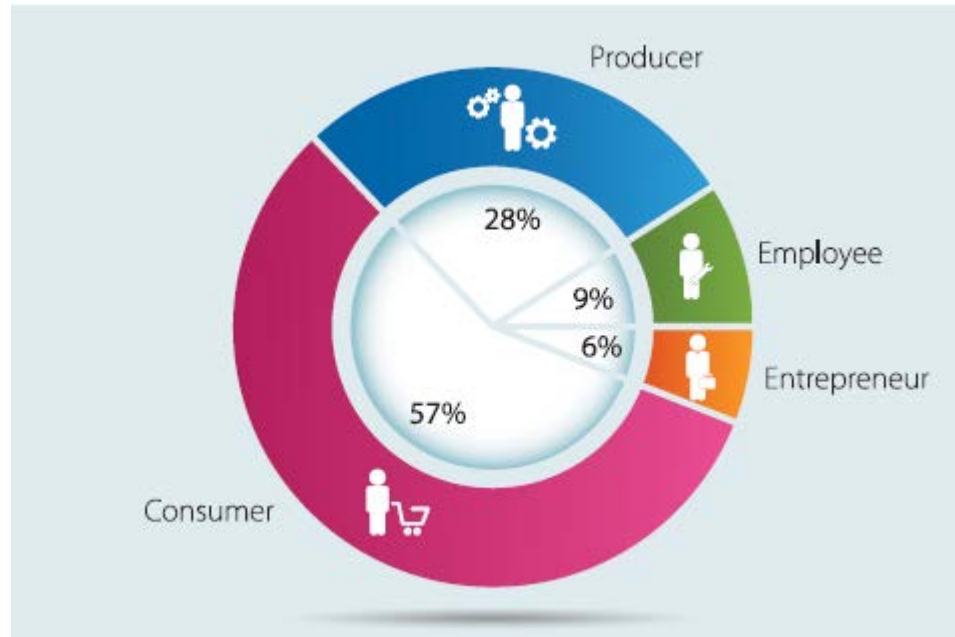
# Core domain of operations



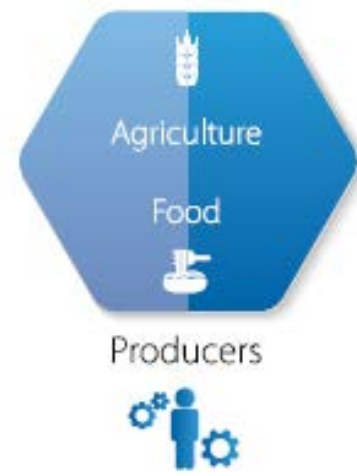
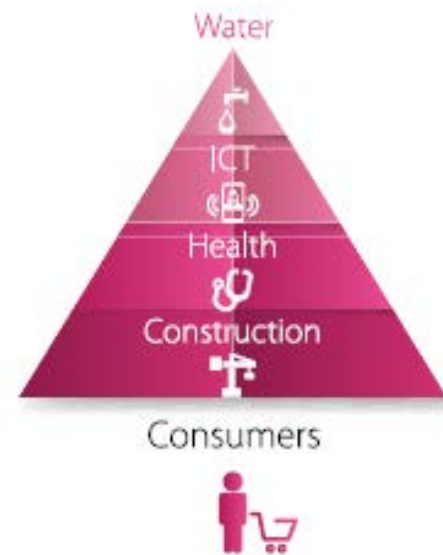
- When the core domain of operations is marketing and sales, BOP is mostly incorporated into the value chain as **consumers**.
- The focus could shift to incorporating BOP into the value chain through operations rather than marketing and sales to ensure a wealth creation at the BOP.
- **Producers** rather than **consumers** – Fortune **with** the bottom of the pyramid

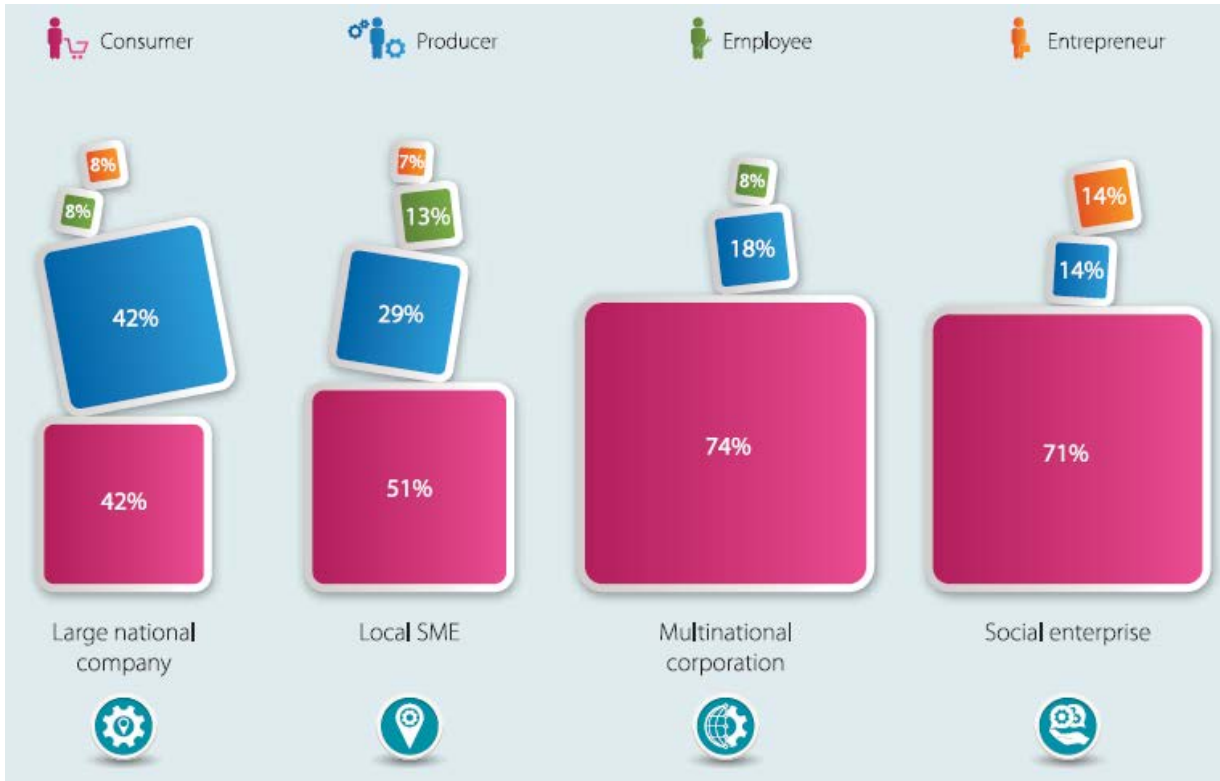


# *Entry Point of the Poor*



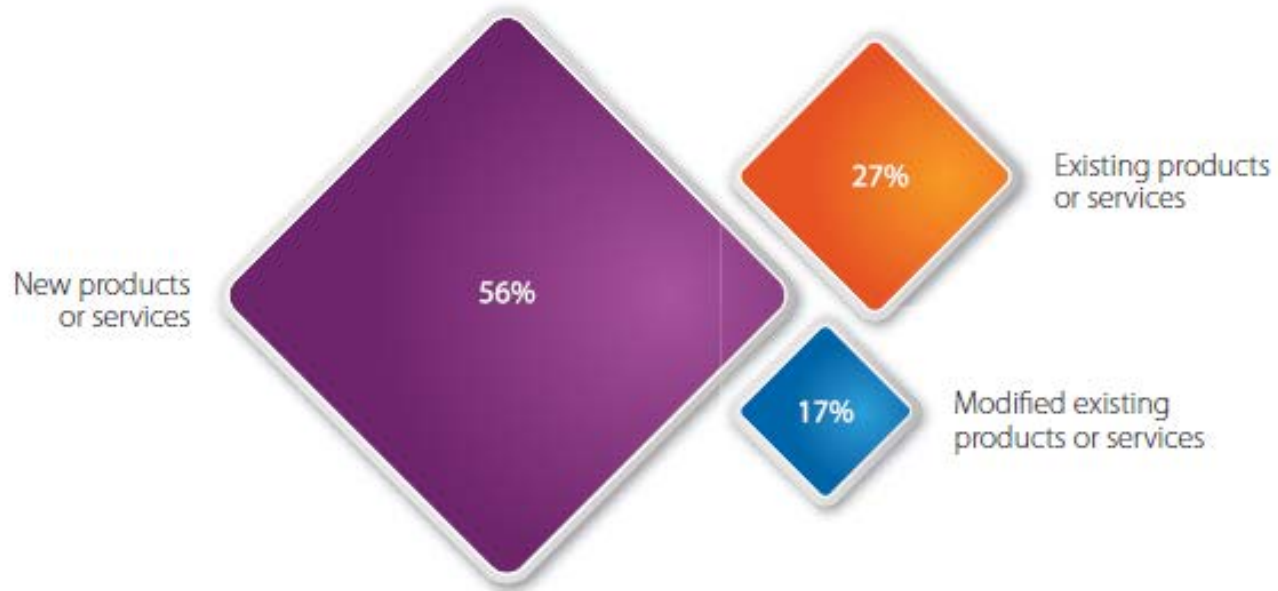
- More than a half of the successful business cases served the poor by selling to poor consumers whereas 28 percent of the businesses strengthened their supply chain by buying from poor producers





- Large national companies are both buying from and selling to poor, whereas three quarter of the multinational corporations and half of the local SMEs analyzed only sell to the poor consumers.

# Innovation helps inclusive business succeed



- 56 % of the succesful inclusive businesses tapped into markets with new products or services, rather than entering the market with existing products or services.

# Challenges

## ◆ challenges ◆

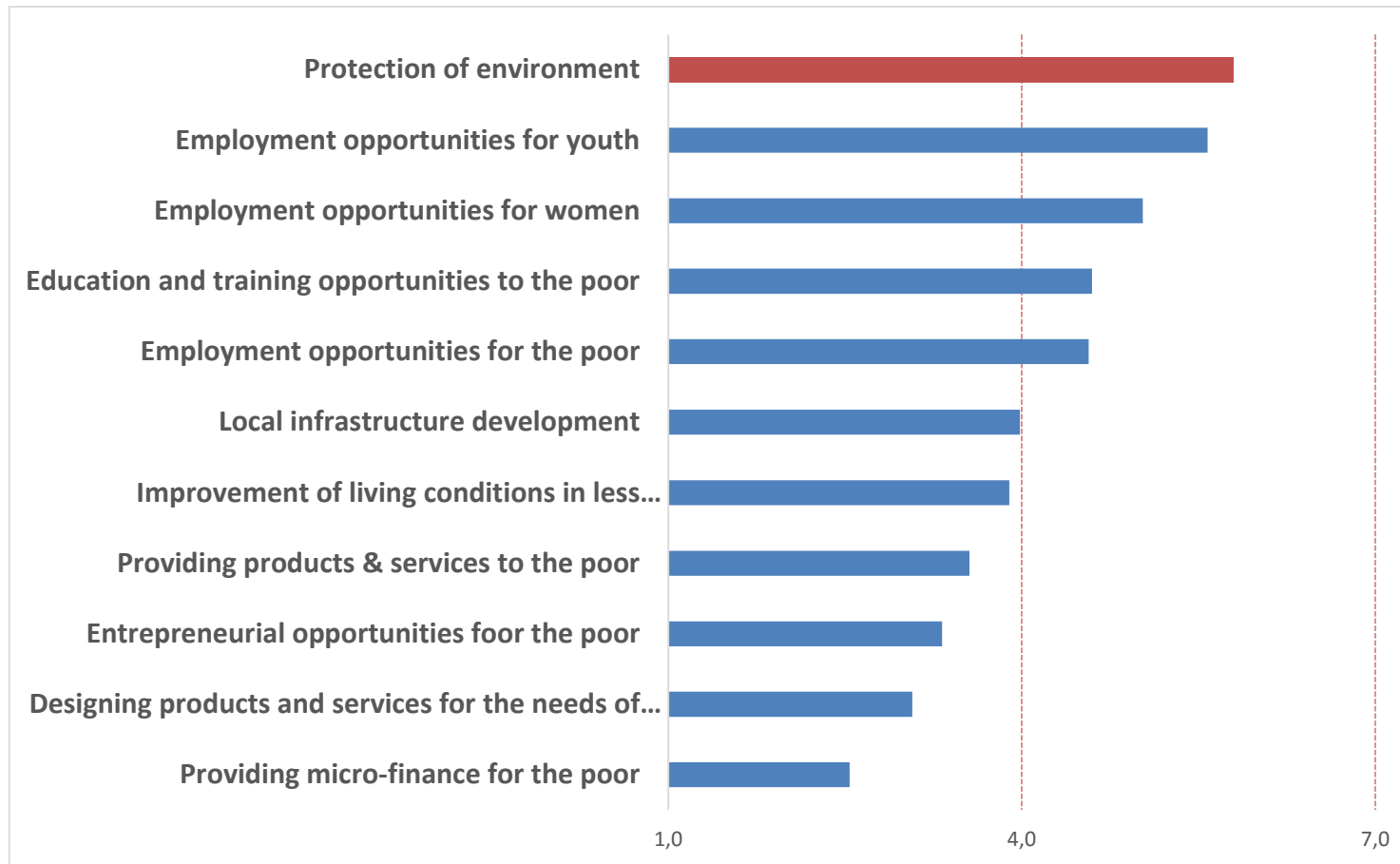


- The main challenges faced by local SMEs, multinational corporations and large national companies are related to the local community, followed by financial challenges. For social enterprises, financial challenges emerge as the main challenge.

# *Inclusive Business in Turkey*

- Overall picture shows that companies in Turkey have very low levels of engagement in inclusive business models and activities; even though their self-perception about private sector's role in development is at a moderate level.
- The awareness is greater in large companies than in SMEs .

# Development Goals for private sector's involvement



# Inclusiveness of Turkish Companies

Indicator of inclusiveness	Mean scores for inclusiveness*	Mean scores for international inclusiveness*
Employing poor people	3.99	4.17
Targeting poor people as customers/consumers	2.98	3.36
Doing business with poor people as suppliers (e.g. buying products and/or services from BOP producers)	2.78	3.06
Considering poor people as entrepreneurs in the company's business model	2.26	2.44
Doing business with poor people in the distribution channel (as carriers, retailers etc.)	3.21	3.67
Investing in less-developed neighbourhoods	2.93	3.42
Emphasizing poor people in the company's mission statement	2.19	2.56
Emphasizing poor people in the company's business strategy	2.18	2.58
Average inclusiveness score	2.80	3.15



# *Increasing the Effectiveness of Inclusive Business*

- Key factors for increasing the effectiveness of inclusive businesses in reaching business and social goals are:

**Business Model Innovation**

**Support of not-for-profit actors**

# *Increasing the Effectiveness of Inclusive Business*

ENTRY POINT	FACTORS FOR INCREASED EFFECTIVENESS
EMPLOYEE	Support of not-for-profit actors Business model innovation
CONSUMER	Support of not-for-profit actors
SUPPLIER	Support of not-for-profit actors Support of internal actors Business model innovation
DISTRIBUTION CHANNEL MEMBER	Support of not-for-profit actors Support of the actors in the value chain Business model innovation
ENTREPRENEUR	Support of internal actors Support of the actors in the value chain
INVESTING IN BOP NEIGHBORHOODS	Support of not-for-profit actors Business model innovation

# Where do Turkish companies see the solution at?

- *Contextual factors: Levels of education, knowledge, and awareness in low income markets & infrastructure*
- *Regulations*
- *Policies to support inclusive business: National strategy and awareness*
- *Collaboration*

# For Companies

- Put inclusiveness at the center
- Commitment from senior management
- Include BOP in the value chain
- Measure and communicate the impact.
- Be innovative, especially when cooperating.
- Make long-term projections for returns when targeting BOP.

# For Governments

- Take an active role
- Promote transparency and accountability.
- Support innovation and entrepreneurship.
- Encourage private sector invest in human capital via inclusive businesses.
- Create external financing facilities.
- Develop certifications for inclusive value chains

# For Everyone - Collaboration

- Collaboration is a must to ensure success.
- The findings clearly showed that inclusive business practices **must be supported through joint efforts** by related parties, including the government, development agents, universities and NGOs.