

International Relations Conference on India and Development Partnerships in Asia and Africa:
Towards a New Paradigm (IRC-2013)

Business Models for Inclusiveness

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Abstract

Businesses have traditionally contributed to inclusive growth primarily through philanthropy or CSR. However, these initiatives have a modest societal impact when compared to the impact of core business operations on society. So businesses now have to integrate the social responsibility in their core business operations. Business should address inclusiveness and sustainability in their business strategy and not just as an afterthought. Many companies are now adopting such new business models that can deliver affordable products and services to those living in the middle and bottom of the pyramid. This paper looks into examples of how inclusivity can be made an important aspect of business strategy. This paper will look into how select organisations are running successfully and also addressing the larger societal needs through creative solutions to issues like healthcare, livelihood security, poverty etc which are very characteristic of the developing economies.

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Peer-review under responsibility of Symbiosis International University (SIU).

Keywords: Business models, Inclusivity, Social entrepreneurship

1. Introduction

The term inclusive business was coined by the World Business Council for Sustainable Development (WBCSD) in 2005. It refers to sustainable business solutions that go beyond philanthropy and expand access to goods, services,

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and livelihood opportunities for low-income communities in commercially viable ways [1].

Despite economic growth, poverty and inequality remain key problems faced by developing countries. After pursuing an industrial growth led strategy, such growth has not always translated in increase in quantity and quality of livelihoods for many. The estimated number of informal sector workers in 2004-05 was 394.90 million in India contributing 86 percent of total workers [2].

Clearly, economic growth alone does not guarantee that the poor and the marginalized will participate in and benefit from growth. Therefore a different model is required which will ensure that the benefits of economic growth are translated to the general well-being of the society at large. Even the countries which have benefitted from the economic growth, such as India, Brazil and China, there still are problem of income-equality, rich-poor divide and geographical and social exclusion.

The slow progress towards attaining the various targets set by the Millennium Development Goals (MDGs) has also contributed to the general recognition among national governments, donor agencies and non-governmental organizations alike that the pursuit of “inclusive growth” is a desirable policy objective, and that complementary policies are needed to facilitate sustained and inclusive growth outcomes [3 OECD 2006]

The global economic crisis has highlighted the growing vulnerabilities arising from the increasing inter-connectedness of economies. Capitalism as a system to run business has also been exposed and criticised for being a cause of the problems that we are facing. The gravity of situation is evident from the fact that the gurus of business strategy who had witnessed business reach this situation are proposing alternate frameworks. Michael Porter declared that the capitalist system is under siege and proposed the concept of Shared Value [4].

Philip Kotler, the father of marketing management admitted in a recent interview that “Theory of maximising shareholder value has done great harm to businesses”. He further states that businesses are social organisations that can do great good or great harm. Let’s recognise that societies are facing a growing number of difficult problems – world hunger and poverty, local wars, pollution, environment damage, and faulty education and health systems. Solutions are badly needed. Solutions can only come from the three sectors found in any economy: businesses, NGOs and government.

Today, the governments in most countries are in no condition to solve these problems, given their debt levels and their political impasses. The NGOs with their limited ability to scale up and less funds available in these recessed times are even less effective. Business is the only agent of change with the means of doing something to improve the sad state of affairs.

So it is high time that organisations focus on having inclusiveness as part of their strategy and reorient their business models towards inclusiveness. This will ensure that organisation have long-term sustained growth and also deliver positively to the society [5].

2. Business Models

This paper will discuss some of the cases where organisations have adopted inclusiveness in their business models. Before we begin with the cases a brief introduction and background on business model will be useful.

For our discussion, we refer to the business model definition by Alexander Osterwalder & Yves Pigneur [6]. A business model describes the rationale of how an organization creates, delivers, and captures value.

The Business Model Canvas is a visual representation of how an organisation creates, delivers and captures value.

The Business Model Canvas is made of 9 building blocks. They are as follows:

- Customer Segments- The Customer Segments defines the different groups of people or organizations an enterprise aims to reach and serve
- Value Proposition- The Value Proposition describes the bundle of products and services that create value for a specific Customer Segment
- Channels- The Channels describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition
- Customer Relationships- The Customer Relationships describes the types of relationships a company establishes with specific Customer Segments
- Revenue Streams- The Revenue Streams represents the cash a company generates from each Customer Segment.

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