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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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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.

- Key Resources- The Key Resources describes the most important assets required to make a business model work
- Key Activities- The Key Activities describes the most important things a company must do to make its business model work
- Key Partnerships- The Key Partnerships describes the network of suppliers and partners that make the business model work
- Cost Structure - The Cost Structure describes all costs incurred to operate a business model.

The Business Model Canvas

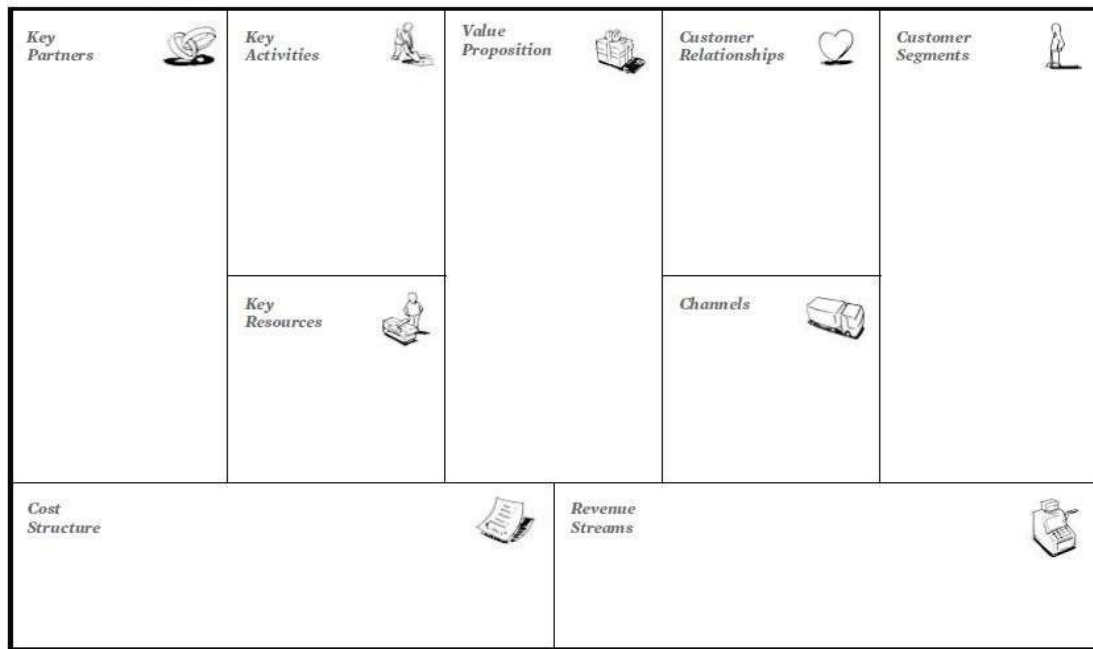


Figure 1 Business Model Canvas

3. Case Studies of Inclusive business models

3.1. Case 1: Aravind Eye Care System

Dr. Govindappa Venkataswamy started Aravind Eye Care System (Aravind), in Madurai city in the south Indian state of Tamil Nadu, as an eye clinic and an 11-bed hospital in 1976, with the idea of creating a sustainable eye care system. To address the firm's mission to serve poor blind people, a low-cost facility with 100 beds was added exclusively for those who required free treatment, marking the beginning of the firm's contribution to restoring eyesight to the millions of people with poor vision.

Aravind's approach was to provide quality eye care at prices that everyone could afford. A core principle of the Aravind Eye Care System was to provide services to the rich and poor alike and to continue to be financially self-supporting. It provided free eye care to two-thirds of its patients by using the revenue generated from the one-third of the patients who paid for the services. Aravind culture was such that the service personnel were disciplined, accountable and responsive to patients. Over the years, the respect and care shown to the patients irrespective of their ability to pay had helped to build Aravind's image and its community trust. The Aravind approach sought to restore eyesight to the millions of people with poor vision, eliminate needless blindness and correct moderate visual impairment by providing high-quality, high-volume and compassionate eye care to all [7].

Table 1: Type & source of patients undergoing eye surgeries in 2009-10

Type and Source of Patients	Cataract Surgeries	All Surgeries
Paying hospital: (different level of pricing packages)	62,625	1,35,225
Free hospital: (subsidized price to meet the consumables)	53,779	74,661
Camp: total free of cost	73,057	76,081
Total	1,89,461	2,85,967

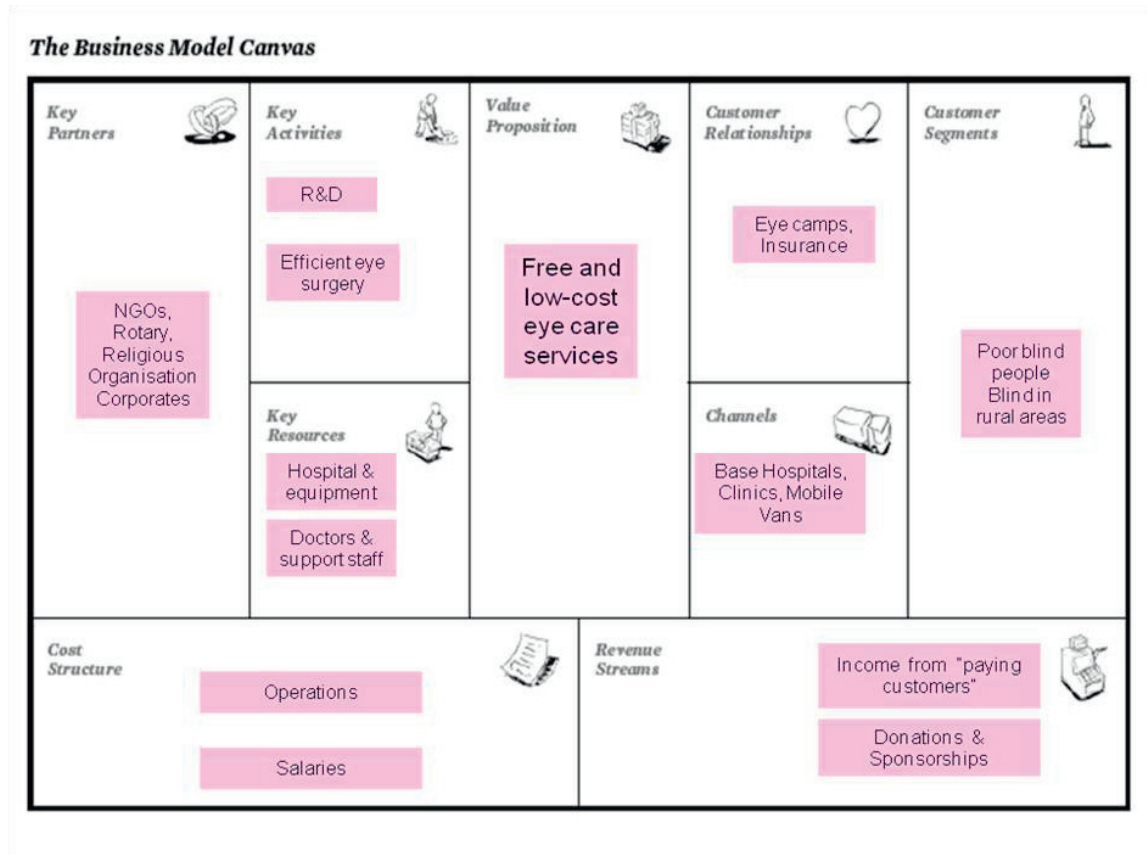


Figure 2 Business Model canvas for Aravind Eye Care system

3.2. Case 2 Narayana Hrudayalaya

Founded in 2001 by Dr. Devi Prasad Shetty, Narayana Hrudayalaya is now a hospital with 500 beds, 10 fully commissioned operating theatres (OTs), two cardiac catheterization laboratories, and its own blood and valve banks. The paediatric intensive therapy unit which consisted of 50 beds was one of the largest in the world with 40% of all procedures performed at NH being paediatric treatments. Since its opening, the hospital had completed over 11,228 open-heart surgeries, half of which were paediatric.

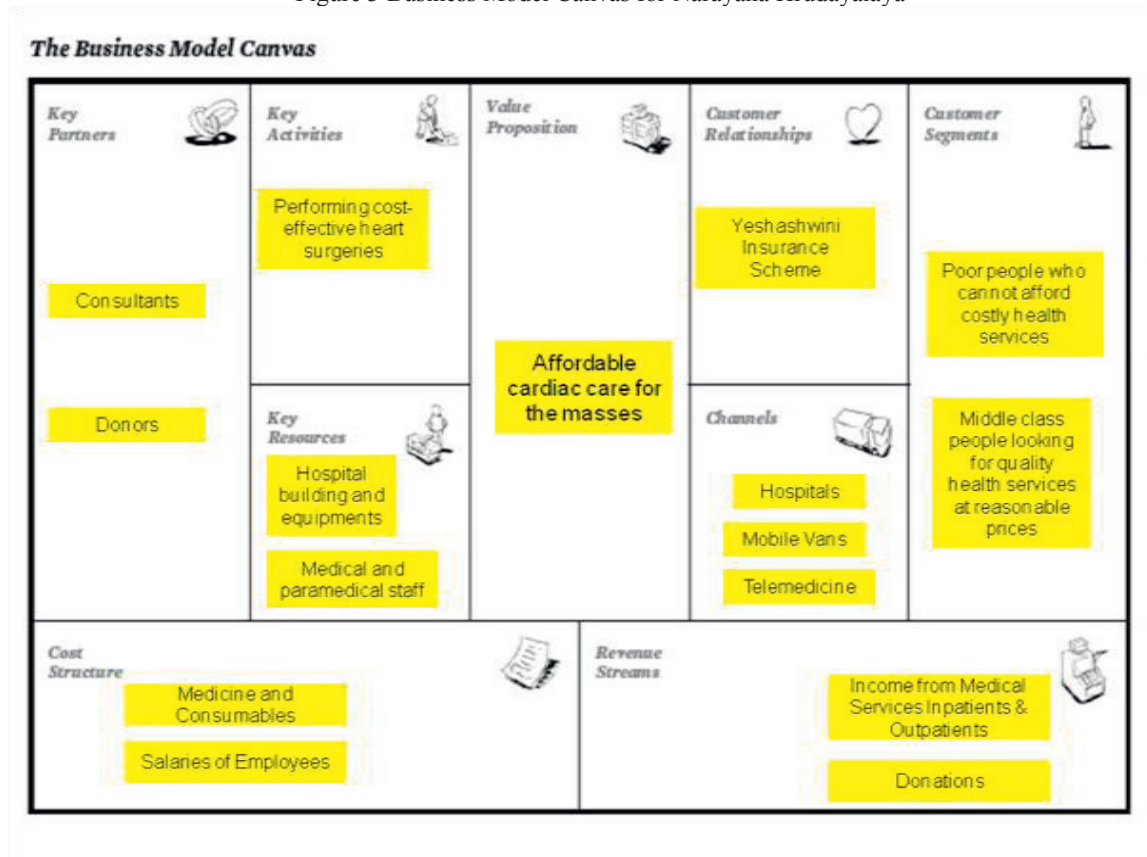
To provide affordable cardiac care to the masses, Narayana Hrudayalaya followed a hybrid strategy of attracting paying patients by virtue of its reputation for high quality combined with a relentless focus on lowering its costs of operation wherever possible so that a larger number of people could afford to seek treatment. The surplus gained

from paying patients was used to subsidize procedures performed at, or below, cost for patients who could not afford the full fee. In 2004, the proportion of patients who paid NH's full price to those that could not afford to pay was about 60:40. [8]

Table 2 Pricing of Procedures (all prices in Rs.)

Procedure	Break-even Cost at NH	Price (General Ward)	Price (Karuna Hrudaya Package)	Average Price at Indian Private Hospitals
OHS	90,000	110,000	65,000	250,000
Angioplasty	40,000	65,000	N/A	90,000
Angiogram	4,500	4,500	4,500	12,000

Figure 3 Business Model Canvas for Narayana Hrudayalaya



3.3. Case 3- Embrace Global

Embrace is a social enterprise that aims to help millions of vulnerable babies through a low cost infant warmer, designed for a resource constrained area with limited or no electricity. The Embrace Infant Warmer costs a fraction of the price of current equipment used for keeping babies warm. The long term vision of the company is to develop a line of affordable healthcare technologies.

Embrace has developed an innovative, low cost infant warmer for vulnerable babies in developing countries.

Over 20 million low-birth-weight and premature babies are born every year around the world, and over 4 million die within their first month of life. Temperature regulation is a key problem among many of these infants. Embrace has developed an infant warmer that costs a fraction of the price of existing solutions, and that functions without a continuous supply of electricity.

The design looks like a miniature sleeping bag that incorporates a phase change material, which stays at a constant temperature for up to 6 hours. This low-cost solution maintains premature and low birth weight babies' body temperature to help them survive and thrive. [9]



Figure 4: Business Model canvas for Embrace Global (Embrace Infant Incubator)

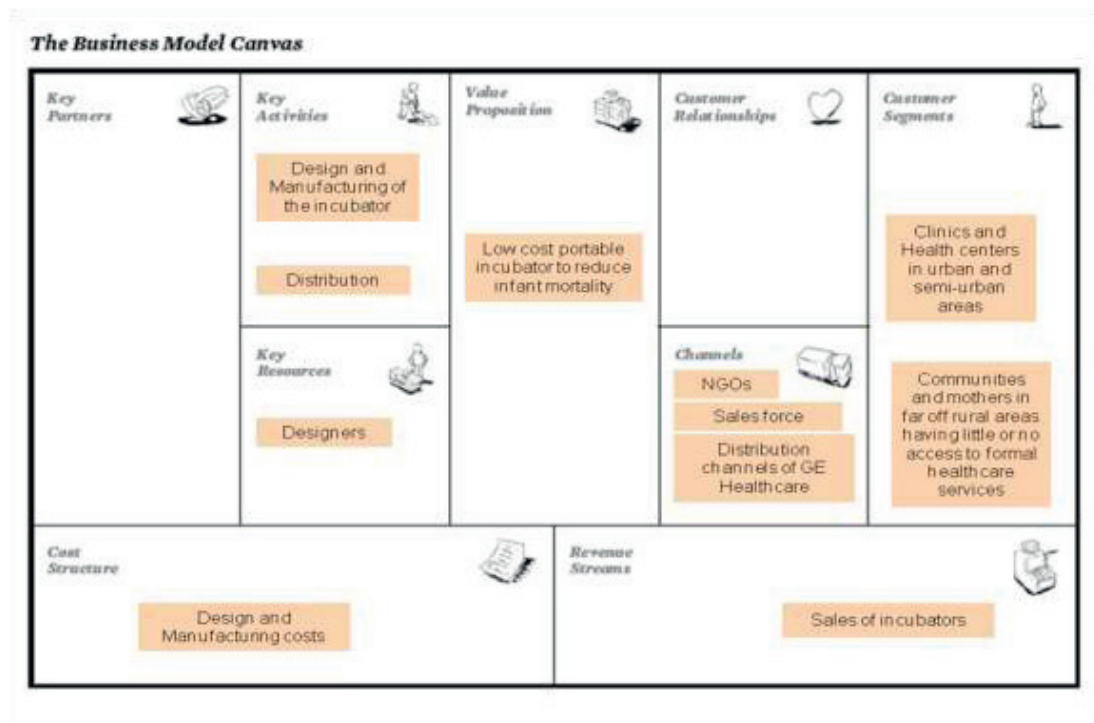


Figure 5: The Business Model Canvas

3.4. Case 4 Shri Mahila Griha Udyog Lijjat Papad

Shri Mahila Griha Udyog Lijjat Papad, popularly known as Lijjat, is an Indian women's cooperative involved in manufacturing of various fast moving consumer goods. The organization's main objective is empowerment of women by providing them employment opportunities. Started in the year 1959 with a seed capital of Rs. 80, Lijjat has an annual turnover of around Rs. 650 crore, with Rs. 29 crore in exports (As of 2010). Starting as a small group of seven women in 1959, today Lijjat has more than 40,000 members in 62 branches across 17 Indian states [10].

Lijjat was the brain child of seven Gujarati women from Bombay (now Mumbai). The women lived in Lohana Niwas, a group of five buildings in Girgaum. They wanted to start a venture to create a sustainable livelihood using the only skill they had i.e. cooking [11].

The women borrowed Rs 80 from Chhaganlal Karamsi Parekh, a member of the Servants of India Society and a social worker. They took over a loss-making papad making venture by one Laxmidasbhai and bought the necessary ingredients and the basic infrastructure required to manufacture papads. On March 15, 1959, they gathered on the terrace of their building and started with the production of 4 packets of Papads. They started selling the papads to a known merchant in Bhuleshwar. From the beginning, the women had decided that they would not approach anyone for donations or help, even if the organization incurred losses.

How has all this been possible? Its story shows how an organisation can infuse Gandhian simplicity in all its activities. Here we look at its distribution cycle.

Every morning a group of women goes to the Lijjat branch to knead dough, which is then collected by other women who roll it into papads. When these women come in to collect the dough, they also give in the previous day's production, which is tested for quality.

Yet another team packs the tested papads. Every member gets her share of vanai (rolling charge) every day for the work she does and this is possible only because the rest of the system is geared to support it [12]

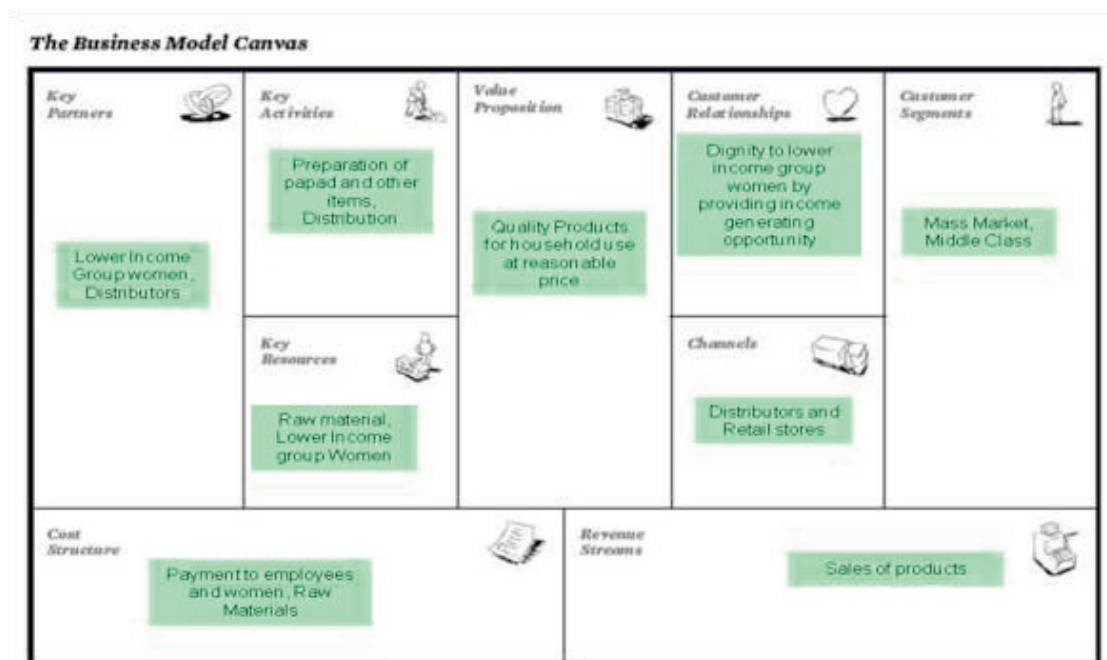


Figure 6 Business Model canvas for SMGUL

3.4. Case 5- Mirakle Couriers

Mirakle Couriers was founded in January 2009. Started by Dhruv Lakra who combined his education and experience in both the business and social sectors to come up with a for-profit social enterprise. The idea to help the deaf was triggered by one particular incident he experienced while travelling on a bus in Mumbai .

Mirakle Couriers currently is 4 Management Staff and 64 Deaf Employees. The back office is run by 20 hard working deaf women with learnt-by-doing knowledge in data entry and manipulation, tracking and scanning, sorting and other branch operations.

On the field there is a team 44 talented male deaf courier agents that navigate the complex lanes of Mumbai. They travel on public transport, avoiding traffic and remaining conscious of the environment.[13]

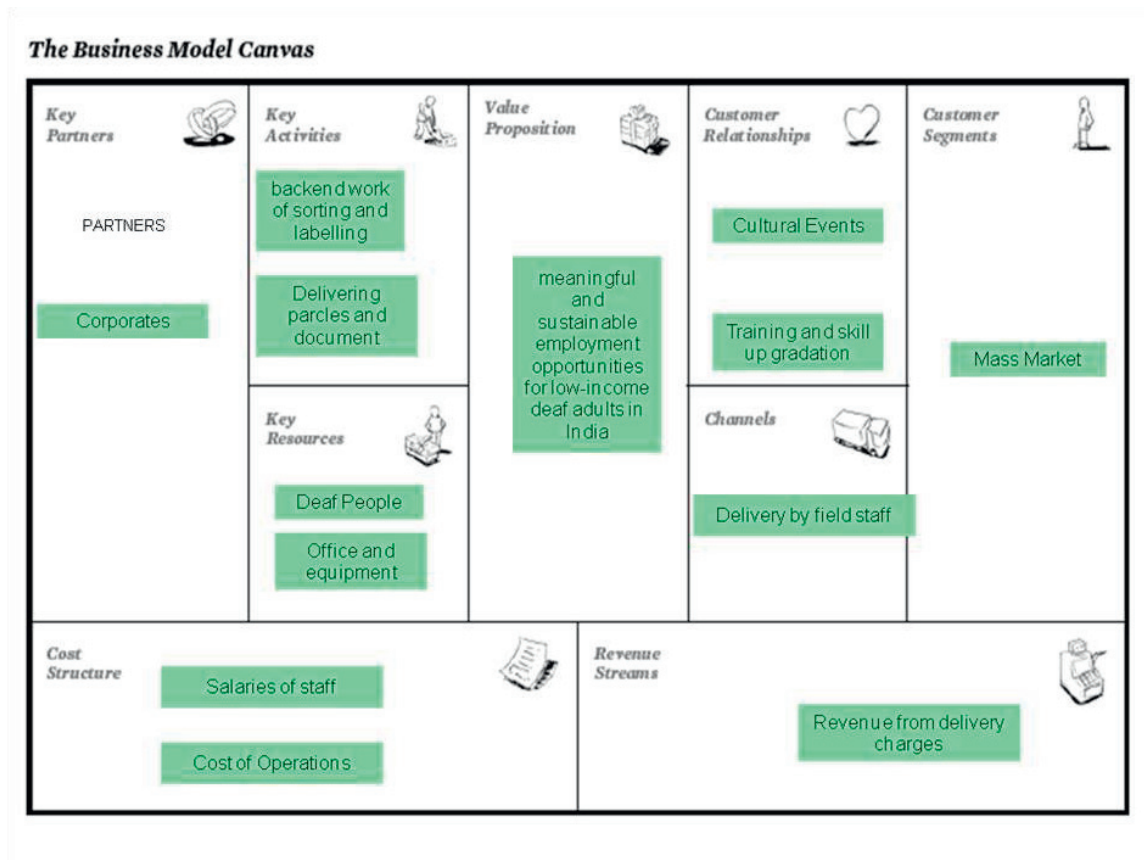


Figure 7: Business model canvas for Mirakle Couriers

4. Comparison of Business Models

As seen above the business models are for diverse type of organisations. However, each model has certain common factors and all of them are directed towards inclusivity.

4.1. Vision

Each business idea has started with a larger purpose to address with and business activity is only a means to achieve the larger goal.

Aravind- Eradicate blindness among the rural and poor and provide them eye care services at a affordable cost.

Narayan Hrudayalaya- Provide cardiac health care service at an affordable cost to the poor people

Mirakle Courier- Provide employment opportunity to people who are hearing impaired by using their other inherent skills.

Lijjat Papad - Provide dignity to lower income group women by providing them home-based employment opportunity.

Embrace- Make extremely affordable health care products to reduce infant deaths in resource constrained condition.

So a business model for inclusivity should be based on vision of contributing positively to the society.

4.2. Partners

There are two ways of stakeholder engagement that is evident in the models discussed above.

One is that the employees themselves are the partners/owners in the organisation. This model has its origins in the Amul Milk cooperative movement. As seen in Lijjat Papad the women are equal owners in the organisation and share the profit or loss among themselves.

The other engagement is when there is large number of people to be served as in case of Aravind, NH and Embrace. In this engagement, the model has to include very strong relationships with the partners outside the organisation. This is again based on the trust and mutual sharing of the vision.

4.3. Innovation

Innovation is the key aspect of these models. All the models are based on creative and innovative ways of solving critical problems. The founders have observed the environment very closely and come up with insights that laid the foundation of these businesses.

Innovation at all the three levels- Product, Service and Business Model level have been demonstrated in the vases above.

This shows that innovation is not always technology based but can also come from an empathetic and holistic view of society. Technology is no doubt useful to make the operations efficient and effective, but the starting point is always a well-identified user need.

This differs greatly from the technology-led innovation that is prevalent in the corporate world. An overuse of technology often leads to products and services that very advanced and efficient but may not always desirable by the user.

4.4. Scalability

One major concern of the work that happens in the social sector (NGO and non profits) is that of scalability. Although they do work towards inclusive growth, the work often has impact that is limited to few geographies or segment of people. However, with the business models shown above it is an easy to scale up the operations faster and at the same time maintaining the consistency an essence of the vision.

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