Innovation and Sustainable Growth through Inclusive Business Models – A Few Illustrations

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Abstract : Organizations in recent times operate in an environment that is characterized by globalisation, technological advancements and knowledge revolutions that trigger the need for innovations more than any time before. In a country like India, where sizable number of the population still grapples with problems like lack of access to even basic necessities, there is a need for not just innovation, but business solutions that are sustainably aimed at improve quality of life of people.

According to the Inclusive Growth and Development Report of 2015 by Word Economic Forum, India ranks second in terms of net income inequality among 34 countries in the lower middle income group. Desiring to overcome this inequity in India, several ventures which are both financial viable and socially inclusive have emerged.

The objective of the study is to analyze the business model of three socially significant businesses operating in areas such as energy solutions, medical services and agricultural equipment that are very relevant for India in the current context. The common principles on which these three businesses operate can serve as learning for upcoming entrepreneurs to churn out products and services that have a positive impact especially on low income groups.

Key Words: Innovation, Sustainability, Inclusive Business Model

Introduction

In the recent years India has witnessed major growth to become one of the most promising and strong economies of the world. However, despite various initiatives taken by the Government in the direction of balanced growth, glaring inequities persist in the pattern of progress. The country’s development in various streams has not been effectively translated into the betterment of people at the bottom of the pyramid. This is further indicated by UNDPs continued low ranking of India as 135 as far as Human Development Index is concerned. Achieving inclusive development therefore, is very crucial for an emerging economy like India. Innovation provides stimulus for growth of an economy. However the need of the hour is not only for disruptive products and services but innovations that breed inclusiveness and substantially improve the welfare of the neglected populations in economic development.

Inclusive business models are interpreted as ventures that involve philanthropy or operate with wafer thin margins. The bottom of the pyramid is accounted by 4 billion people with combined income of about $5 trillion which represents a sizable proportion of consumers in the market waiting for products and services that cater to their distinct needs. Can companies choose to completely ignore them? Although individually these consumers at the BOP may earn less than $8 a day, as a group their income is equivalent to the gross national income of Japan, the world’s second largest economy

Conceptual Background

Inclusive Business Model (IBM)

The idea of inclusive business is drawn from C.K Prahalad's proposition of Fortune at the Bottom of the Pyramid. The concept emphasizes that businesses should cease to think of the poor as victims and instead start seeing them as value-seeking consumers that influenced companies such as CavinKare and Hindustan lever to come out with ultra-small economy sachets of everything from shampoo to detergents changing the rules of the FMCG game

The World Bank defines “Inclusive business is a private sector approach to providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid by making them part of the
value chain of companies’ core business as suppliers, distributors, retailers, or customers.”

Therefore an inclusive business customizes its business model to take advantage of opportunities to cater to people who live at the BOP on less than $8 per day in purchasing power parity or without access to the basic goods, services, and income generation opportunities that they need. These businesses focus on the BOP not only as consumers of their products and services but also provide opportunities for people living at the base of the pyramid (BOP) to assume new roles: as suppliers, as distributors, as retailers and internal employees.

Research Methodology

The research “Analysis of Inclusive Business Models for Sustainable Growth” has adopted multi case study method. Compared to other methods, the strength of the case study method is its ability to examine, in-depth, a “case” within its “real-life” context (K.Yin, 2009)

The major source of data is case studies and articles published in journals and websites about the three ventures selected that have been chosen for the purpose of this study.

Sample Selection – Three sustainable business ventures that have adopted inclusive business models to cater to the needs of the undeserved segments have been selected for the study.

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<th>Company</th>
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Analysis and Findings

Pollinate Energy Indian Slum Solar Lighting

Australian social venture, Pollinate Energy, has replaced the kerosene lamps in India’s slums with its portable solar lamp changing the way the people in Indian slums use light. Air pollution from indoor use of kerosene lamps and stoves which is equal to smoking 2 packs of cigarettes per day is said to be one of the leading causes of death in countries like
India. This product is a potential game changer for a country grappling with the problem of scarce energy demanded by a growing population. Through its inclusive business model, the company aims to improve the lives of people at the BOP by giving them access to sustainable products that ensure better quality of life.

Besides developing and providing affordable lighting solutions, Pollinate energy has paved opportunities and empowered local micro entrepreneurs whom they call as pollinators. These pollinators are local Indian entrepreneurs who form the backbone of the company’s micro-distributor network. They are provided with a Business in a Bag, a tool kit that the Pollinator always has access to, providing them with inputs like a transport allowance, and smart phones with a Sales force cloud management system. The pollinators are assisted by Worker Bees who assist in sales of the products and earn commission for the sales they generate.

Source: (Pollinate Energy, 2015)

**iKure – Affordable Rural Health Care on the Cloud**

India has the second largest population in the world. In terms of revenue and employment health care is one of India’s largest service sector industries. Study by IBEF indicates that the Indian healthcare sector is growing at a 15 per cent CAGR to reach $ 158.2 billion by 2017. These numbers reflect the opportunities the industry offers for investments. The factors driving the growth in the sector include increasing population, growing lifestyle related health issues, cheaper costs for treatment (especially for foreign patients), improving health insurance penetration, increasing disposable income, thrust in medical tourism, government initiatives, focus on Public Private Partnership (PPP) models and the Government of India’s decision to increase health expenditure to 2.5 per cent of GDP by the end of the 12th Five Year Plan (2012-17), from the existing 1.4 per cent. The need for inclusive business models in the Indian healthcare sector is both a challenge and an opportunity for entrepreneurs who are developing sustainable business structures.

iKure, a homegrown startup targeting rural healthcare space, promoted by Sujay Santra, an ex-Oracle employee. To address the acute problems faced by the rural poor such as lack of medical infrastructure and vast distances that deprives people residing in remote regions of quality medical care at the right time, iKure commenced its operations by its Hub and spoke model. Through its network of Rural Health Centers (RHCs) that acts as “spokes” and centralized clinics as “Hub”, iKure links each RHCs with a network hub iKure’s in-house technology called WHIMS (Wireless Health Incident Monitoring System) that facilitated seamless consultation and escalations through remote monitoring. The offline synchronization makes it possible for the Community Health Workers (CHWs) to extend medical services to the most remote unattended sections of the country.

Source: (ikuretechsoft, 2014)

The innovate hub and spoke model of iKure works efficiently in delivering medical services to remote locations.1 Hub along with 10 spokes is defined as one unit. This unit constitutes almost 20 community health workers and the unit can cater to the medical requirements of around 1 lakh. Each hub clinic employs 6 medical teams consisting of 9 members which includes a doctor, nurse, a paramedic and 2 health workers and another group consists 1 doctor, 1 paramedic and 2 health workers at RHCs. The medical team of 9 people attached to a hub clinic manages 6 RHCs and each hub clinic manages 36 RHCs. To ensure ease of travel by the medical team RHCs are located within a radius of 20km from the hub clinic. Acting as an interface between the technology enabled healthcare delivery and patients is the community health workers.
Mechanization in Indian Farming – Kamal Kisan

Agriculture sector in India has been grappling with several challenges such as lack of new technology, irrigation; monsoon based farming practice, deteriorating market conditions and high cost of labor forcing may farmers to give up agriculture. With large number of farmers moving away from agriculture, the World Bank predicts that India confront a serious food security crisis by the year 2020. Kamal Kisan has been set up to solve some of these challenges facing Indian farmers.

Kamal Kisan is a for-profit social enterprise established in 2013 and is incubated with IIT Madras & Villgro innovation foundation. According to the Department of Agricultural Statistics less than 2% of Indian farmers use mechanization due to lack of affordability.Kamal Kisan is an attempt to develop functional and affordable farming solutions that are customized to the needs of farmers owning small lands. Co-founder Devi Murthy and her team are closely working with research institutes to develop low cost farm equipment that could decrease dependency on labor cost and improve agricultural productivity.

The Business model is simple. The product development is based on the inputs provided by farmers who are encouraged to share their unrealized needs. Most of the products developed by the designing team at Kisan Kamal do not exist in the market but are affordable and easily adopted by farmers without changing their age old habits. Kisan Kamal’s innovative farming solutions include Vegetable planter, Mulch Layer, and Sugarcane planter .These equipments are marketed through various rural service centers. Individuals from local communities are recruited to sell the products as they are able to connect with the farmers.

Discussion and Results

Based on the above analysis of inclusive business models the key principles that emerge as recommendations for pursing sustainable inclusive businesses are:

- **Ideas that make a difference - Pollinate Energy, iKure , Kamal Kisan** have evolved business ideas that can make a huge impact on the lives of low income groups and betterment of their life standards.
- **Doing more with less** - Innovation and marketing to the economically poor does not necessarily mean developing cheap knock-off versions of expensive products and services meant for the classes. Rather, the challenge is to attain breakthrough by developing technology that integrates with the needs of the large segment of customers that lie at the bottom of the pyramid. Pollinate Energy invests on R&D to develop a range of affordable lighting, collaborating with suppliers to cater to the needs of low cost lighting for people residing in slums. iKure has ensured that advancements in information technology can be used to facilitate medical services at affordable prices to the medically unconnected villages. Kamal Kisan uses inputs from farmers to design farm equipment that are suitable for Indian farming conditions and traditional irrigation practices.

- **Operations and Marketing:** No matter how innovative the idea, an effective operations and marketing system is required to ensure its adoption by the target segment. Pollinate Energy has developed an efficient delivery channel through its Pollinator and worker Bees who assist in sales of their products in the market. iKure’s hub and spokes model ensures that the RHC(Rural health centers) and CHW (Community Health workers ) collaborate work towards the mission of medical help for all irrespective of geographical barriers. Kamal Kisan too ensures the local talent is recruited to for marketing its farm equipment.

- **Multiple roles to harness inclusiveness** - The three business models illustrate inclusiveness is about including the poor not just as consumers but as suppliers, employees etc. Both Pollinate Energy and Kamal Kisan have created opportunities for micro entrepreneurs and local suppliers to deliver their products to the low income groups. iKure has recruited and trained local talent to assume the role of Community health workers (CHW) there by generating employment and solving the problem of dearth of doctors for providing medical care in the right place at the right time.

**Implications of the Study**

The key learning from this study is that Pollinate Energy, iKure , Kamal Kisan illustrate that there lies a significant potential and opportunity waiting to be tapped at the BOP. Inclusive business models can be profitably run, provided they revolve around functional ideas that address the problems of the poor, capitalize on advanced technology that can lead to functional solutions,
create an effective network to deliver the idea to the end target segment and involve people not merely as consumers but also as channel partners and employees.

Conclusion

Although India has made a healthy growth in its GDP through various economic reforms, it has not been effective in achieving balanced development of all its citizens. With the divide between the haves and the have not still existing in the country, needs of the poor can be met by entrepreneurs who base their business ideas on sustainable innovations that foster inclusive growth. Future increase in the number of Inclusive business models will emerge as a suitable response to many social and economic problems faced by India.

References