



# Inclusive business—a business approach to development

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The idea of inclusiveness in business emerged in the 1990s with the introduction of Structural Adjustment Programs (SAPs) in developing countries. This paper reviews the conceptual development and discussions by scholars and practitioners around the notion of ‘inclusive business’. It examines how market approaches attempt to tackle socio-economic challenges and include low-income communities in business chains. It introduces the concept of Comprehensive Inclusive Business Model indicators and elaborates its parameters from an inclusive development perspective. Even though existing inclusive business models focus on social inclusiveness through emphasizing human dignity, rights and economic sustainability, there is less emphasis on environmental or relational inclusiveness.

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## The emergence of inclusive business

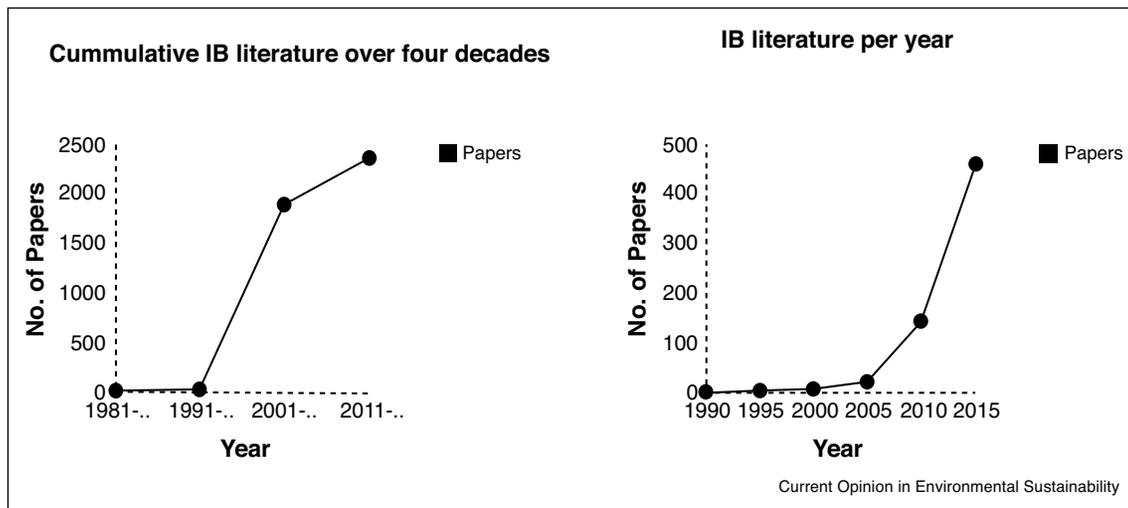
The idea of inclusiveness in business emerged in the 1990s parallel with the discourses and practices of privatization, deregulation and liberalization of investment and trade regimes [1]. The term inclusive business (IB) was coined in 2005 by the World Business Council for Sustainable Development [2]. As a business model, it evolved from separating business from philanthropy, to seeking ways to integrate the two to alleviate human suffering [3<sup>\*\*</sup>]. Today, IB has become a key concept that aims to ensure that the poor are in a position to address their basic needs in economically, socially and environmentally sustainable ways. IB is arguably a key concept within the overtly

pro-poor inclusive development approach [4,5<sup>\*\*</sup>]. Inclusive businesses aim to generate sustainable and decent income generating opportunities for groups with low or no job market mobility [6]

This paper explores the meanings and growth of inclusive business as a concept by focusing on scholarly and practitioner articles from 1990 to 2016 through a Google Scholar search (see [Figure 1](#)).

A search for ‘inclusive business’ on Google Scholar revealed 2350 papers from practitioners and scholars; with a few articles in the 1990s followed by an exponential increase since 2005. The concept evolved from previous research on business ethics, Corporate (Social) Responsibility (CR/CSR), corporate citizenship, corporate environmentalism and positive social change [7]. These concepts link companies’ economic performance, policy and organization with politics, society, socio-ethical values. Business ethics rejected the myopic technical–economic view of conventional firm management by invoking the concept of value or virtue [8] that considers freedom, justice, societal, political and economic solidarity; and inclusion of the poor in business to galvanize the economic and moral aspects of business excellence [9]. One international business school of thought uses cultural cognitivism instead of the resource-based approach of the firm to call for including local populations and communities’ issues in business leading to concepts like social entrepreneurship and corporate social responsibility [10]. Social entrepreneurship has triggered the emergence of organizations catering for basic human needs that existing markets and institutions fail to satisfy [11] while CSR requires individual companies to behave responsibly as corporate citizens, to contribute to society while minimizing the negative effects of their operations [12,13]. This concept was further developed into an interactive business model that integrates a company’s internal resources with its contextual ecosystem. These interactive models focus on a balance between the willingness to pay of the low-income population; the cost restraints of firms; and capabilities of the company’s contextual ecosystem [14]. Stephan *et al.* observe that when businesses focus on generating positive social change (PSC), they experience initial uncertainty regarding effective investment, outcomes and opportunity cost decisions [15]; iteration ensures realization of a viable model [14]. IB models focus on including low income communities into a business value chain by addressing stakeholder needs and perceptions and adjustment of the product to the target market [16].

Figure 1



Graphs showing the growth of the inclusive business concept in literature over the years. Source: The Authors.

As the concept develops, scholars and practitioners hold divergent opinions of how to define and operationalize IB [4].

### Scholarly definition of IB

Scholarly discourses around inclusive business support inclusion of the BoP population into business, for poverty alleviation [17,18]. Environmentally inclined scholars argue that IB involves creation of development impacts using economically viable business models that lead to positive ecological impacts for the short and long term [19]. Therefore, scholars claim that the departure of the IB approach from exclusive focus on profit generation, gives it potential to supersede development programs [19]. Development oriented scholars argue that using the IB model, low-income populations can provide markets, workforce and that small-scale producers can strengthen the supply chain for businesses [20]; hence engaging the poor as producers, distributors, suppliers, or consumers can trigger the realization of socio-economic value and livelihood opportunities for BoP communities in commercially viable ways [21]. IB assumes that companies will take on a developmental role that seeks to deliver pro-poor outcomes that contribute to international development goals. By definition it promises a lot to the poor, but can generate exclusion or adverse inclusion that undermines development [22].

Some scholars define IB as accounting for human dignity or human rights considerations in businesses [12,23], hence, a business model is inclusive if it is durable, equitable, effective, adaptable and credible. IB models must find an economically viable balance between required investments and the degree of risk; investment

in inclusive business models generates social impact and vice versa [24].

### Practitioners' definitions of IB

The Food and Agriculture Organization (FAO) defines IB as business that integrates smallholders into markets with mutual benefits for the poor and the business community while enabling the poor to move out of poverty. Such inclusion is achievable in partnership with producers, the public sector, buyers and NGOs [25\*\*]; the operationalization of this definition can contribute to global poverty amelioration efforts [3\*\*]. Practitioners emphasize on IB having an ability to provide a living wage for vulnerable groups while enabling buyers to profit. Practitioners further argue that the IB concept support small enterprises; is scalable; and allows for long term diversified income streams [26]. The Asian Development Bank defines IB as private-sector business activity with systemic impacts that benefit low-income communities concentrated in developing countries [2,27]. The IB model also supports women's economic empowerment as women are disproportionately affected by poverty [2]. Practitioners further argue that IB needs to align development impacts with core business goals; by providing innovative, contextually relevant and viable business models for low-income populations [2].

Most inclusive business models from practitioner communities focus on the inclusion of the BoP as employees, producers, business owners and/or consumers of affordable goods and services [28,20,29,30]. Practitioners use these subconcepts to contextualize the IB concept: Opportunities for the Majority; Business Linking smallholder farmers and small companies; Making Markets Work for the

Poor; the Inclusive Market Development concept, the Pro-poor Value Chain Development concept, and the Win–Win Profit Approach [29]. Practitioners' definitions of IB place a high premium on the dignity of the low income populations and the potential for IB to enhance the well-being of the poor [2,25\*\*].

### Main contestations

While scholars agree that IB goes beyond profit maximization, they question the assumption that market forces should and will be willing, and able to sustain interest in the well-being of the poor. This tendency of IB discourses to bestow on businesses a developmental role conflicts with the profit maximization objective of businesses. In addition scholars question the belief in the sufficiency of market forces to resolve the poverty challenges of contemporary societies [31]. The relationship between poverty and IB is problematic at implementation level due to the inherent subjectivity in the assessment of inclusivity; mainly due to the differences in defining and operationalizing the concept and the fact that IB is often assumed to be synonymous with CSR [32]. Although practitioner definitions have demonstrated a pro-poor approach, they fail to integrate the poor in a significant way in the value chain. Scholars argue that there is gap in holding businesses accountable for the outcomes of their 'inclusive businesses'.

The literature on IB and social entrepreneurship has been developed by western development scholars and is silent about the realities of business among 'the developing countries BoP' where there is widespread survival entrepreneurship [33]. Survival entrepreneurship is characterised by lack of motivation, balancing business with household responsibilities, not making enough income, inability to re-invest in the business, poor infrastructure, inaccessible markets and a lack of support networks [34\*]. Hence, IB needs to redefine the meaning and practice of entrepreneurship in the context of survival entrepreneurs in developing nations. The practitioner definition of the BoP populations as buyers [35,20,36,28–30] can engender the subordination of these populations to the companies as raw materials suppliers and input distributors which are controlled by corporates. Differing drivers for inclusive business make it difficult to have a unified approach to IB [25\*\*]; hence IB is no panacea and remains contested both in theory and practice.

### Our conception of inclusive business models

In line with the Sustainable Development Goals [5\*\*] which advocate for balanced social, economic and environmental interventions for human well-being, our theoretical stance rejects the idea of the firm or corporation being the main driver of business in the sense that it includes the bottom of the population as raw material suppliers, workers or simple input distributors. We align with the human rights approach where the BoP

population benefits in win–win businesses and are not adversely included. To attract capital investors, we recognize the need for risk-aversion in order to guarantee the sustainability of the business model [24,23,37]. Therefore we argue that IB should aim at sustainable livelihoods [29] for the businesses and the BoP communities while feasibly integrating businesses, consumers and civil society as drivers of IB [25\*\*].

Therefore, a business is inclusive if it is innovative, effective, credible, adaptable, makes healthy and affordable products and services for the poor, creates employment and has long-term financial and ecological sustainability [25\*\*,29,23,35]. This definition of IB calls for inclusive innovation and the creation of opportunities by removing economic, social, ecological, and geographical barriers; this enhances the social and economic well-being of the disenfranchised BoP [38] and maintains the local ecosystems by [39] promoting sustainable value creation [40]. These indicators provide a framework for the Comprehensive Inclusive Business Model and that can be used to evaluate its strengths and shortcomings from an inclusive development perspective; hence the above indicators of IB can be referred to as Comprehensive Inclusive Business Model indicators [30].

### Conclusion

IB is driven by the need to promote dignified human existence by using market approaches to tackle socio-economic challenges in a sustainable way. This review paper assesses the literature on 'inclusive business' and concludes that even though scholars and practitioners define and appropriate the concept differently, significant work has been done to develop an IB framework while questioning the existing discourses and practices. The proposed Comprehensive Inclusive Business Model can be used to evaluate the different attempts at inclusive business. The willingness and extent to which businesses are willing to reduce their profit margin vertically and ensure systematic integration of the poor in a positive manner as providers of resources and services and consumers of products is still unclear. Hence contextual empirical testing of inclusive business in poor populations of developing countries and other BoP populations is needed to understand how IB works in practice.

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