

INCLUSIVE BUSINESS MODELS

Inclusive Business Models talks about organizations that employ principles of business to address the needs of the poor. It takes an analytical approach to derive insights about business models by comparing with other inclusive models seen within the same sector and through comparisons with models from a different sector. This cross-sector comparison, especially with a number of case studies, would enable readers to cumulate their learning, and act as a guide to management students, practising managers and entrepreneurs for understanding and analysing any business model that intends or claims to be inclusive. This book is beneficial for students of entrepreneurship, social enterprises and human resource management. Sections of this book would be relevant for courses on social enterprises, developmental economics and inclusive business models taught globally, given that India today has emerged as a hotbed of experiments and innovations to deal with the problems of poverty and inequality.

Sourav Mukherji is Professor of Organizational Behaviour and IIMB Chair Professor of Excellence at the Indian Institute of Management, Bangalore. His research interest is inclusivity and social enterprises – businesses that address the needs of the poor in a financially sustainable manner. In this domain, he has published several case studies and papers in academic and practitioner-oriented journals.

INCLUSIVE BUSINESS MODELS

Transforming Lives and Creating Livelihoods

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To all my students who inspire me to be a better teacher.

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PREFACE

Harish Hande, the founder of SELCO, was my senior at Indian Institute of Technology (IIT) Kharagpur. Our paths crossed a decade later when I learnt that Harish, having completed his PhD, was building an organization that would provide solar lights to poor villagers in his home state of Karnataka. I travelled with him in upcountry Karnataka and saw first-hand how the lack of access to energy created challenges in the lives of villagers and how the work that Harish was planning to do was a lifesaver for them. Having grown up in a town and later staying in a city, I had little familiarity with the life in villages. I had never seen as much darkness in my life as I witnessed in those villages at night. Harish was lighting up their lives. I came back awestruck and inspired. But I did not fully comprehend what Harish meant when he said he would create a business where he would sell solar lights to the villagers. Looking at their economic conditions, I could not imagine how the villagers were going to pay Harish. Should he not raise funds from charitable institutions and just donate these lights, I wondered.

After I joined Indian Institute of Management (IIM) Bangalore as a faculty member, I focused on researching about Indian multinationals competing in international markets. While I continued to follow Harish's and SELCO's journey with admiration, it was quite distant from what I was teaching and researching as an academician. Around 2007, at an international conference in Bratislava, I met Sahba Sobhani from the United Nations Development Programme (UNDP) who explained to me the concept of inclusive markets and gave the example of SELCO. Sahba was looking for academics who could write case studies on organizations that created inclusive business models. Suddenly, I remembered what Harish had tried to explain to me almost

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a decade ago – how it was possible to address the needs of the poor by building a financially sustainable business – and things started to make sense.

I told Sahba that I would write a case on SELCO and I started my research in this domain. As I learnt about many inclusive businesses, I got further motivated to know more about them. I was keen to make inclusive business models central to my academic pursuits and decided that the best way to do it was to offer an elective on the topic in the MBA curriculum at IIM Bangalore. The plan was to develop several case studies that would provide me with deeper insights as well as first-hand familiarity with social enterprises and entrepreneurs. I named the elective ‘Inclusive Business Models’ to make it distinctive from a few other courses like ‘Social Entrepreneurship’ and ‘Economics and Development’ that were already being offered by my colleagues. I wanted to focus on business models that address the needs of the poor, quite similar to what SELCO was doing, as were others who I came to know about during my work for UNDP. I planned my course to be entirely based on case studies about inclusive businesses from various domains, such as healthcare, education and energy access. The teaching objective was to educate students about how to apply management principles to solve problems of poverty. But a deeper intention was also to sensitize them about the sad reality of poverty and inequality in our country, and how some inspirational individuals were applying their knowledge to alleviate the situation. I hoped that the course would open the minds of the students to new possibilities and motivate them to apply their knowledge and use their privileges to solve societal problems.

As I started developing the cases, I found useful allies among my colleagues, notably Professor P. D. Jose, who co-authored several of the cases, and Professor Gita Sen, an economist who kindly agreed to co-teach the elective with me and provide inputs in developmental economics since I had no academic background in the domain.

I have been teaching this elective at IIM Bangalore since 2010 and writing case studies on organizations pursuing inclusive business models. Despite IIM Bangalore being perceived as a business school and its students keen to join the for-profit sector, I have received encouraging response from the students year after year, who have subscribed to this course in large numbers and given me enthusiastic feedback. My understanding about this domain has also evolved during this period. While I was a strong advocate of inclusive business models

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to solve problems of the poor in the initial years, I have now also realized the models' limitations and how other forms of organizations, such as the not-for-profit or the government, have complementary roles to play. Meanwhile, even SELCO's model has evolved where, apart from the private limited entity about which I have written in the first case, they have started a foundation through which Harish and his team do some fascinating work.

This book, coming after a decade of my teaching and doing research, is an important milestone. It has helped me crystallize many thoughts that crossed my mind while teaching and discussing the cases with students. The case studies that we publish are accompanied by teaching notes, which are only shared with faculty members. Teaching notes provide answers to questions raised in the cases as well as provide insights. However, if one is not a student in a class where the case is being taught, one will never get to know about these answers and insights. Therefore, I have written this book as a reading companion, where the journey of ten organizations that have adopted inclusive business models have been described in a semi-formal story form, followed by some of the insights and learning that can be derived from their journey. The stories are not substitutes for the actual case studies, many of which I have published through the Harvard Business Publishing Education portal. Therefore, faculty members who teach using cases should use the actual case studies and provide this book as additional reading. Faculty members who do not use case method of teaching can directly use this book to structure their lectures and discussions in class.

However, this book is not only for faculty members but intended for a larger audience, anyone who is interested in the domain of inclusive businesses or social entrepreneurship but does not have the time or intention to sit through a postgraduate-level class. This book will inform the readers about the experiments and innovations that are happening in this domain. For such readers, the analysis towards the end of the chapters or the framework developed towards the end of the book may not be of much interest. But this book should give them a reasonable idea about how inclusive businesses are different from not-for-profits or corporate social responsibility.

This book will also be useful to entrepreneurs, especially those who are working in the developmental or social sector. Based on my experience of teaching them in executive education programmes at IIM Bangalore and

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elsewhere, I have realized that many of them are not sure about the organization form they should adopt – whether it should be a for-profit, inclusive business or a non-profit model. The cases that I discuss should provide them with substantial information and examples on the trade-offs involved in choosing one organizational form over other as well as the challenges of maintaining the duality of creating social impact and being financially sustainable. In almost all the cases, I have written about how the idea of the organization came to the founders and how they gave shape to it through their entrepreneurial venture and how it evolved into a social enterprise. This, I hope, will provide budding social entrepreneurs with a realistic idea of what it takes to bring an idea of doing good to society to its fruition. While each of these organizations, their founders, leaders and employees continue to inspire me, I do not present any of them as success stories. In fact, some of them are likely to fail. But that should not take away from them the sincerity they had devoted in creating and sustaining these organizations and the innovations they came up with to solve tough problems. Any entrepreneurial venture has a high chance of failure; social entrepreneurship possibly more so. I agree with Harish when he says that any model of an inclusive business, even if that is considered a success, cannot be copied by someone else. They can only teach about the failures that preceded such success, so that others do not repeat the same mistakes and enhance their learning curve. I would go one step further and add that such models show possible pathways to overcome a seemingly intractable problem. However, above all, they inspire.

I hope that is what it does to every reader who picks up this book.

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This book would not have been possible if my employer, IIM Bangalore, had not provided me with the academic freedom to experiment by doing research about and offering a course on inclusive business models. There were doubts whether such a course would have any relevance in an MBA programme and whether there would be enough interest among the students to subscribe to it. However, IIM Bangalore believes that *we will not know unless we try*, and successive Directors and Deans have lived up to this entrepreneurial spirit of the institute. Therefore, I am grateful to the academic leaders of IIM Bangalore who have encouraged me and provided me with the necessary support.

Six chapters of this book are based on case studies that I had written with my co-authors. The cases and their authorship have been provided on the next page. I thank all of them – P. D. Jose, Bringi Dev, Kunal Basu, Sridhar Pabbisetty, Caren Rodriguez and Milena Muller – for helping me write the cases, sharing with me the pleasures and travails of case-writing and for giving me their consent to use the cases as basis for the chapters in this book.

No creative endeavour can come to its fruition without the support of family members. Therefore, I owe it to the two ladies in my life, my mother Indrani Mukherjee and my wife Suparna Bhattacharya, who in their own spoken and unspoken ways teach me to be sensitive to society, to give my best to any initiative that I undertake and who, by taking care of me, ensure that I can begin every day in my life with high energy and positivity.

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Chapter Reference	Name of Case	Authors
2	Vaatsalya Healthcare: Affordable Healthcare in Proximity	S. Mukherji and P. D. Jose
5	LaborNet: Empowering Informal Sector Laborers	S. Mukherji, C. Rodriguez and S. Pabbisetty
6	SELCO: Harnessing sunlight to Create Livelihood	S. Mukherji and P. D. Jose
8	Reliance Retail: Creating Social Value through Banana Supply Chain	S. Mukherji, K. Basu and M. Muller
9	IDE Nepal: Creating and Ecosystem for Development	S. Mukherji and P. D. Jose
11	GNFC's Neem Project: Creating a Blueprint for Social Business	S. Mukherji and B. Dev