



## **Tele-Learning - Session #4:**

### **Leveraging Businesses & Markets for Low Income Families & Communities - Lessons From the Ford Foundation's Corporate Involvement Initiative**

Tuesday, January 10, 2006  
12:00 – 1:30 p.m. EST

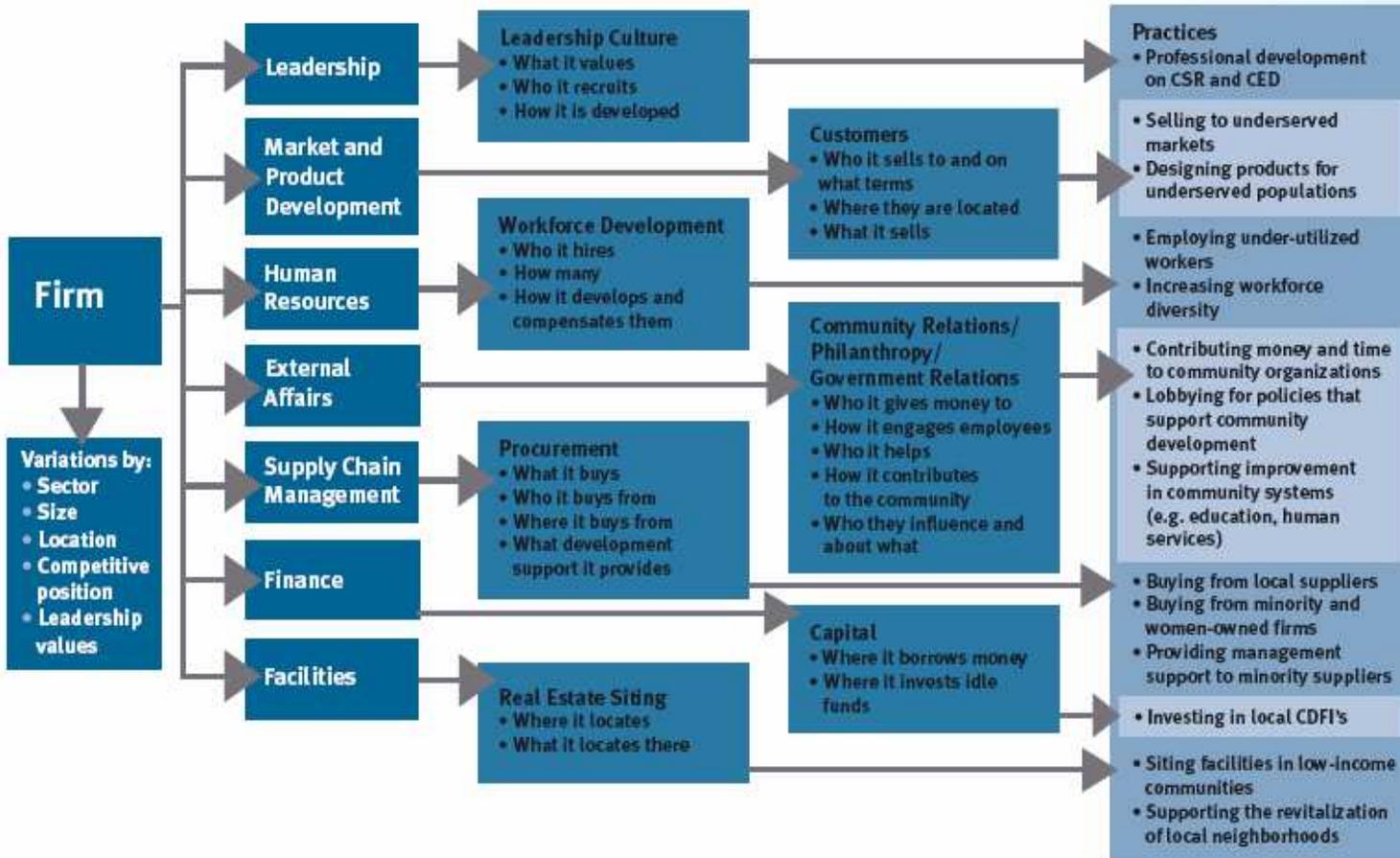
Supporting Diagrams

(Source: Part of the Solution: Leveraging Business and Markets for Low Income People. Ford Foundation)

## The Steps for Building Corporate Involvement in CED



## Step 2: Assess Whether There is A Market Solution



## **Step 3: Analyze Market Changes Required**

### **Market Barriers**

Once the grantee has analyzed the economics of the market and understands the degree of alignment, it is critical to then turn to an understanding of the specific market barriers that are causing the lack of alignment (or helping to create better alignment). There are a wide variety of market barriers that can contribute to poor alignment between market goals and CED. The following is an illustrative list:

#### *Information*

- Misperceptions of risk
- Lack of adequate information or inadequate means of getting existing information to all market parties

#### *Production costs and pricing*

- High costs for serving market segment due to its size
- High levels of industry concentration or outright monopolies
- Ability of businesses to externalize social costs of their activities

#### *Consumption preferences*

- Lack of market mechanisms to integrate preferences of firm stakeholders
- Low business interest in market segment because of low purchasing power

#### *Organizational culture*

- Cultural biases and prejudices

#### *Market environment*

- Poor business operating conditions (political instability, lack of infrastructure, poor factors of production)

## Step 4: Determine Key Levers for Change

### LEVELS AND LEVERS FOR CHANGE IN BUSINESS BEHAVIOR



#### Level: Business

- Leadership
- Organization
- Corporate Culture
- Business Information
- Products and Services
  - Networks

#### Level: Market Operations

- Production Costs
- Consumption Patterns
- Exchange Mechanisms

#### Level: Market Environment

- Regulations and Taxes
- Voluntary Standards
  - Infrastructure
- Stakeholder Engagement

## Levers For Change In The Market

Each of the market barriers responds to specific “levers for change” — the part of the market or business structure that controls or is responsive to this barrier. The levers for change are where the grantee needs to focus its efforts for change. The levers for change in each level of the market can be summarized as follows:

### **Firm Level:** *Motivations, Incentives, Risks and Profits for Individual Businesses*

The primary levers for change at the level of the individual firm are as follows:

- *Leadership:* Management awareness, interest and commitment to CI
- *Organization and operations:* How the firm is organized and operated, including corporate governance, management reporting systems, compensation systems, training, promotion and retention, and location
- *Values, culture and operating assumptions:* The way that the firm defines its corporate values, its culture and the way that it interacts with the market
- *Information:* Information about the availability, costs and benefits of CI
- *Products, services and operating practices:* Development and scaling-up of profitable products and services or productivity-enhancing operating practices that build income and assets for low-income individuals
- *Networks and partnerships:* Creation of networks and partnerships (with other businesses, NGOs, public sector) that build trust, connections and opportunities for CI.

### **Market Operations:** *Costs, Revenues and Risks Common to All Industry Players*

The primary levers for change at this level are:

- *Production:* Industry-wide costs of labor, capital and materials; production methods and efficiencies of all industry players; overhead costs associated with specific markets
- *Exchange:* Transaction costs associated with labor, capital or goods markets, including finding costs, measurement costs, selling and distribution costs and processing costs.
- *Consumption:* Consumers’ income available to purchase specific products or services; effective consumer demand (e.g., consumer tastes, whether or not consumers are willing to purchase and how much they are willing to pay).

### **Market Environment:** *The Rules of the Game*

The primary levers for change at this level are:

- *Regulations and taxes:* Global, federal, state and local policies, regulations, tax regimes and financial incentives
- *Voluntary industry standards and initiatives:* Norms and standards created by industry associations or standard-setting bodies
- *Infrastructure:* Education, housing, health care, transportation, finance, communications, etc.



Click here to visit the Tamarack website for more engaging content! [www.tamarackcommunity.ca](http://www.tamarackcommunity.ca)