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# THE ROLE OF THE PRIVATE SECTOR IN POVERTY ALLEVIATION AT THE BASE OF THE PYRAMID

HOSTED BY MONICA TOUESNARD OF CORNELL UNIVERSITY'S CENTER FOR SUSTAINABLE GLOBAL ENTERPRISE, WITH DAILY DISCUSSIONS FACILITATED BY KRISTIN O'PLANICK, TAYO AKINYEMI, MARK MILSTEIN, DANIELA OCHOA AND MICHAEL GOLDMAN.



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# DAY ONE: ROLES FOR PRIVATE SECTOR ENTITIES

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## DAY I: INTRODUCTION

### Post by Monica Touesnard

Welcome to the online discussion about the Role of the Private Sector in Poverty Alleviation at the Base of the Pyramid hosted by Cornell's [Center for Sustainable Global Enterprise](#). I am Monica Touesnard, Associate Director of the Center and I will be your primary host for our discussion the next three days. We will be joined by guest facilitators each day, but we will be relying on you to contribute to the dialogue and share your knowledge and insight on this topic.

It has now been more than a decade since the concept of BoP enterprise development began to influence managers primarily discussed as a business growth opportunity for multinational corporations (MNCs) that could be realized while simultaneously addressing critical needs of the poor – a role traditionally reserved for governments, non-profits and multilateral organizations. Over the next three days we can take a closer look at these ideas, and discuss various topics related to this theme.

Today we will begin with an examination of the roles for private sector organizations. Many continue to question whether or not there is really a BoP business opportunity for firms. Many of the original BoP cases promoted as key examples of success stories have ended, been severely criticized, never been replicated, or failed to scale sufficiently, including Hindustan Lever's Shakti model; CEMEX's Patrimonio Hoy; and HP's E-inclusion.

I'm interested in everyone's thoughts regarding whether or not it is or should be the private sector's role to alleviate poverty? Have we really seen strong proof that MNCs can successfully pursue BoP enterprise development strategies? Are we too focused on large companies?

I look forward to your comments.

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## THE ROLE OF THE PRIVATE SECTOR IN BOP

### Post by Lysander Menezes

There is definitely a role for the private sector to alleviate poverty, however in order to advance the field of market based solutions we need to rigorously structure our thinking in the following way:

- 1) What lessons can be learnt from models that have scaled?
- 2) Will corporate players enter BoP markets?

Some of the key learning that can help answer these questions is that:

End to End solutions and specialization works.

The best way to scale is to create a Value System and then outsource Functions as it leaves a company with their core competency and gets rid of barriers to scale.

Scale can take time.

There is a definite role for funding with low required IRR when it comes to early stage BoP ventures

More players in the BoP market add legitimacy to the market.

It is important to also note while building evidence that:

Large corporations are best equipped to scale in BoP markets, but they won't. Smaller enterprises want to, but they are not equipped well enough. How does one address this conundrum?

Some of the key learning that helps answers this question:

- a) Large companies will not enter BoP if they have to change their business models.
- b) The idea is to motivate large corporations and support small corporations working at the BoP.
- c) As competition at the Top of the Pyramid intensifies, more companies will look towards the BoP market.
- d) Rural entrepreneurs typically start with a cause and not because they want to build a scalable organization. This can be a binding constraint.

The field is still relatively new and what is exciting is that we are witnessing the development of this practice as we speak.

### **Post by Jennifer Li**

I am Jennifer Li, a graduate student at Cornell University. I would like to ask a follow-up question to the following key learnings shared by Lysander:

- a) Large companies will not enter BoP if they have to change their business models.
- b) The idea is to motivate large corporations and support small corporations working at the BoP.
- c) As competition at the Top of the Pyramid intensifies, more companies will look towards the BoP market.
- d) Rural entrepreneurs typically start with a cause and not because they want to build a scalable organization. This can be a binding constraint.

I am currently working with a rural entrepreneur working in the BoP who built his organization on a cause. He is currently trying to scale the organization to reach different geographic locations. He has established partnerships with the local government and private donors. I would be interested in everyone's thoughts on the potential for pursuing partnerships with corporations. What are some best practices for this path? Pitfalls? Are there examples of rural entrepreneurs who have been able to leverage the power of corporations without losing control of their organization's mission?

Looking forward to your responses.

### **Post by Daniela Ochoa**

Involving the Private Sector creating partnerships with the public sector can be a win-win situation to achieve poverty alleviation projects more efficient and widely spread. The involvement of the private sector not only bring funds but press on evaluation and impact measurements to track the tangible benefits of the project at the BoP.

If any of the participants would like to share with us some examples of this kind, it would be very enlightening for us. Here I share two links of some specific examples awarded by UN-Habitat most of them created as partnerships and some other being primarily private:

<http://www.bestpractices.org/2008awardwinners.html>, they also have a database for those interested

<http://www.bestpractices.org/database/>

I appreciate Jennifer Li's questions and would love to learn from thoughts on existing successful examples for poverty alleviation BoP from participants.

My medium term plans with my thesis is to engage the private and public sector in implementing an environmental mechanism which basically exchanges recyclables for food in strategic points along the most humble settlements of a medium size developing country city in Mexico called Morelia. This type of mechanism was first implemented in Curitiba Brazil 20 years ago by the public sector and during the military regime. Nonetheless, I would like to take the challenge to make it replicable within today's context for which involvement of the private sector becomes simply vital for its success.

For these reason I am also curious about your input and advice on how to keep the private sector interest in social programs that are not necessarily a gold mine? How to get MNC's involve in programs beneficial for poverty reduction, through health improvement, income generation and that directly benefit not only the benefit recipients but the local farmers for example? Is it only possible through their foundations? Can we get them to further engage in projects at the BoP without or very little profit?

## **Post by Clara Cazenave**

Dear All:

We also want to refer to Lysander post where he says that "Large corporations are best equipped to scale in BoP markets, but they won't. Smaller enterprises want to, but they are not equipped well enough."

First of all, we think it is important to define what does "equipped" means. Based on our learning experience, one of the main capabilities needed for the BoP is flexibility and we understand that this is a SME's primary capability.

Also, we think that we can't affirm that "Large companies will not enter BoP if they have to change their business models." Large companies not enter BoP not because they have to change their business models but because they haven't seen yet a business opportunity neither the social impact that it brings with it.

## **Post by Manish Srivastava**

Dear Clara,

I agree with what you say that "knowledge and capabilities could be combined with the ones of Large Companies in order to generate joint business projects".

What I also want to highlight is that there is more long-term investment that's needed in BoP segment. If we are addressing poverty and looking for sustainable economic development we need to

1. Address the systemic causes of poverty (that includes poor health, malnutrition, girl education, caste system etc) and
2. Build capability of the local community to sustainably engage in their economic development and participate as equals in global economy (that includes providing education in enterprise, management, economy and may be English).

My experience is that large corporations want to do business at BoP but do not have patience or systemic view to address the above 2 issues.

Now think from a point of view of a Social Entrepreneur. S/he would have key priority to address these issues. Think about Md Yunus of Grameen Bank...

Even when corporations (and mean large corporations whose key business is at top/middle of pyramid) consider these issues, their BoP projects are marginalized as CSR/Philanthropy or PR stunt and does not receive much attention.

Now all this my personal experience and would love to learn different perspective. Could you mail me your case/ link?

## **Post by Kathy Dasovich**

Greetings from the Ross School of Business at the University of Michigan!

I'd like to add a couple comments in reply to Lysander (thanks for your thought-provoking comments) and Miguel/Clara's posts.

I agree with Miguel and Clara that it's important to define "equipped." In my opinion, SME's (esp. local ones) are better equipped with knowledge about local markets and customs, as well as better integration into the communities. MNCs have to invest a lot of time and effort in understanding the BoP where they want to work, in addition to earning the community's trust and support. I think that this is something that companies like SC Johnson are paving the way to do.

And as far as the comment that "large companies will not enter the BoP if they have to change their business models," I think that that is one of the first things an MNC has to do in order to succeed in the BoP. If they're not willing to adapt, change, or completely throw out their old business models and embrace a new, co-created model that's built within the BoP, their venture probably won't fully succeed. I think this is one of the reasons why we're struggling to find good examples of ventures that have sustained and have been scaled up.

It seems like a lot of the "best" examples of BoP ventures come from SMEs, but I still believe that MNCs have an opportunity to succeed in this market segment. Although, I kind of doubt that they will reach the TRUE BoP (less than \$1-2/day income); their "fortune" might be found within the top of the base...

## **Post by Lysander Menezes**

Hi Kathy,

Thank you for your carefully articulated insights. I fully agree with you that SME's are better equipped with knowledge about local markets and customs and are better integrated into local communities. They are capable of dealing with the following questions:

How do you sustainably increase adoption? Does more adoption imply "more viability"?

(2) What management models are ideal to serve different BoP segments?

Some key learning from this sector:

- (a) Beyond a point, more adoption only marginally affects viability.
- (b) Community involvement is very important and can have network effects in surrounding areas as well.
- (c) More adoption and scaling presents its own challenges - especially in management.
- d) The focus initially has to be on consistency of demand - penetration comes later.

Three known management models for serving different BoP segments: (a) Parent Organization Owned and Run (b) Franchise Based and (c) Community owned and Run.

I look forward to keeping abreast of your work in the time ahead.

## **Post by Kristin O'Planick**

Hello everyone,

Great conversation so far. I'm Kristin O'Planick and I'll be helping Monica to facilitate today's conversation. I'm currently an MBA candidate at Cornell University and my background is in African development. Maurice gets to one of our key questions for the day - what businesses are best placed to succeed in the BoP?

I agree that start-ups and SMEs have the agility needed to find a model that works in the specific BoP context, and I also agree that there is a lack of financing, skills, and training in the local population (at least in Africa). MNCs have the resources, but often seem to lack the patience and/or agility for the environment. Petra raised an interesting point about foreign SMEs getting involved. I'd love to see someone respond with any examples in that area.

## **Post by Reed Sembower**

Hello from Kansas City!

The private sector is extremely good at creating value for their shareholders and customers. The private sector is excellent at problem solving, innovation and new product development. The private sector is highly skilled at things like mass production, distribution, marketing and communications, metrics, finance, customer support and so much more. Why would the private sector not be good at solving BOP problems?

Granted, the BOP don't make very good customers because of such impediments as a lack of money, the inability to read or ownership of a television. Are these issues problems or opportunities?

This enormous market cries out every day and tells the world exactly what it wants. "We need clean water, good sanitation, good jobs, better nutrition, good health, a nicer home, education for our children," and on and on. The BOP is eager to consume.

I'd like to suggest that the problem is two-fold. A lack of innovative products that meet BOP needs and the means to acquire those products. I would like to offer a new private sector model to address these two issues. Please help me understand why this model won't work.

## **Post by Reed Sembower**

We have developed a new type of water tank. The smaller tanks can be mass produced and distributed as kits. The larger tanks must be built on site by a crew. These kits are assembled and attached to on homes to collect rainwater. After heavy rains, surplus

water is transported via rickshaw in one of our tanks to a nearby storage tank. During the dry season water is returned to the home for consumption. This will provide a family with a year's supply of safe drinking water and more.

When a family has access to additional sources of water such as a tap, well or river, surplus rainwater can be sold in the local market. The ability to generate income from the sale of high quality water enables family's to repay a microloan they received to purchase the rainwater harvesting system. Once the loan is repaid, income from water sales supplements the family's income.

This ability to store water for use during the dry season is the key to the success of this system because:

A tank of water is like money in the bank. It is a deep pool of resources that can be drawn upon when needed. After a lifetime of thirst, this new sense of water security may feel very reassuring to young mothers. Just knowing your baby is drinking clean water at last would feel so good. Knowing this liquid asset could be converted to cash during an emergency would make this free resource feel almost priceless. Not having to fetch as much water will free her time for more productive uses not to mention the reduced drudgery in her daily life. A healthier family will ease her burden and increase the amount of sleep she gets. She may well find the tank to be a prized possession.

Her praise for the tank may be the best marketing money we wouldn't have to spend. The human network that will distribute kits throughout the countryside will be the best distribution system money can't buy.

Farmers will value both the clean drinking water and that they can now grow a second crop each year. This means higher crop yields, better nutrition, a higher income and a better life and this may slow the migration to cities.

For communities, it provides economic opportunity since water-dependent businesses can startup once a dependable supply of high quality water is available. It also means schools will have a steady supply of water for drinking and sanitation which teachers and students require.

### Social Value

This is a bottom up approach designed to solve a dire problem one family at a time. Rapid deployment within a community will uplift community as a whole and this will occur shortly after the tanks are deployed.

The local franchise will provide local jobs building the new water infrastructure. There will be additional jobs providing services, upgrades and aftermarket products for the system.

Rain is free and it doesn't care about gender, caste, age or race.

### Environmental Value

Mother Earth loves this system. This static system runs on gravity which is known for being free, reliable and omnipresent, thus it is ideal for communities that are off the grid. Rain is pure so processing requirements are minimal. Since it is collected and used locally, transport distances are very short and they are powered on dhal and chai rather than diesel. Recycling is a natural and is called evaporation.

These low-cost tanks enable families to store drinking, cooking and cleaning water in separate tanks which protects the clean water from misuse while enabling and encouraging reuse.

Even local tanks can be full of natural local material. Water, a key ingredient, is locally available and free. Aggregate for the concrete can come from a local riverbed or quarry while sand for the tank siding and cotton for catchment can all be locally produced. This all reduces transport and material costs, uses natural materials and reduces requirements for steel and cement which do create pollution.

Tanks come in a number of types including plastic lined, concrete and underground. Underground tanks can be installed under a room, a courtyard or a garden and they not only provide water but they increase the property's value. Underground tanks can also serve as latrines that can be mass produced and distributed as kits. When used in conjunction with rainwater for washing, these

latrines offer an ideal solution to the sanitation crisis. Waste can then be collected and transported in special tanks to the local waste processing facility that also uses large tanks to turn waste into fertilizer. Keeping raw sewage out of the rivers will be a huge plus.

Tanks can be configured as used for other purposes including, grain silos, coops, pens, check dams, fish farm tanks and more.

They are also ideal for use in Bangladesh. When the walls are taller than the flood's high water mark, the water within the tank will remain safe to drink once the waters subside. Rainwater is arsenic-free and extremely abundant in B'desh.

Land too far from a source of water can't be farmed. Collecting water overhead to use as drinking water as well as for irrigation opens this remote land to farming.

Most compelling may be the water farms where all the rain falling on a field is channeled into on-site storage tanks and then sold to local farmers for irrigation, to local villages, cities or industry. The value of an acre's worth of pure rain is much higher than an acre's worth of crops.

Our model calls for opening franchise shops in local communities where tank systems will be installed. The franchise system is a proven model with a high success rate. This model is required since the larger home tanks, the underground tanks and the storage tanks must be built by a trained crew. The local franchise will have a material storage area, a small factory where raw material is processed into building material, tool storage, parts and material sales, training facilities and more. This local operation will employ at least 50 people from the local community. One franchise will be required for every 100,000 residents so we're talking a lot of franchises.

Profitable operations throughout the value chain is a leading cause of success in the for-profit world. Nothing motivates like money. Throw in better health, a higher standard of living and a system that has something to offer everyone, and you have a community juiced up on hope and opportunity and a tight local network committed to the long-term success of their new water infrastructure system.

The value chain in this sense extends beyond conventional channels because of the nature of this market. The market for this system is all poor people who live where it rains or who lack a toilet. We are talking about a market that is ten times the population of the US. A market that spans multiple continents. This market is so big, so diverse and so spread out that it calls for a partnership if it is to be served well. Partners will include MNCs, national firms, NGOs, governments at all levels, multilaterals, communities, businesses, families and individuals.

Value gained by MNC partners include profits, resolving a PR crisis, or reducing costs for raw materials used in their products. MNCs could mass produce and distribute the first wave of tanks that would provide families with clean water. They would get the credit, good will and more that comes from providing families with critical first help. They could also sponsor franchises and buy water to earn more good will. Tanks carrying the MNCs logo would be seen in such coveted locations as homes, schools, businesses and more and what would that be worth!

Values gained by NGO partners include achieving mission objectives, reducing operating costs or more outreach.

Values gained by governments include serving constituents better, to solving long-standing problems to providing inputs for new initiatives. The federal government could subsidize material costs, provide tax incentives and establish favorable policies. The local government could set up water collection and storage facilities and license franchises to accelerate system penetration within the community.

Values gained by the local franchise include profit, respect, service to the community, jobs and opportunity.

Values gained by the local water storage businesses include selling water, collecting water, processing water, tank services and more.

Values gained by the family include clean drinking water, better health, lower expenses, hope and much more. Besides selling water to produce income, families can process raw material using simple hand tools and sell the finished material to the franchise to generate income. Families can also produce material and install their own tanks to further reduce costs or increase incomes.

Values gained by individuals include steady work and good income in a booming field that doesn't require reading or writing skills, career advancement opportunities, self respect, new skills, better health and much more. There are multiple ways individuals can earn income. They can assemble and sell kits, install systems, produce material, work as a water vendor, collect and sell pure water during the rainy season

Values gained by all partners include collaborating to solve a big portion of a huge problem or two and uplift of a large group now better poised to reward partners by buying some of their high-margin products and services. The best value may actually be the partnership. Tomorrow's problems will make the clean water crisis seem tiny. They will require teamwork and having a history of success will be very useful.

### **Post by Reed Sembower**

Is there something in the rule book that says a SE can't turn a nice little profit as long as we stick to the blended values proposition? If all our partners receive sufficient value from the relationship and the products and services we provide, have we not accomplished our goals and met all the requirements?

If we ensure that the individual, the family and the franchise turn a tidy profit shouldn't the corporation do the same? Besides, with such an interdependent and viable product line, not selling tanks for a profit would simply be foolish.

The market size for water tanks is simply enormous. For this system to work optimally, every roof in the community should have a tank or two sitting underneath. Every home should have multiple tanks within the house. Every school, clinic, office and church should be equipped. Every farm needs multiple tanks. And then there are all the transport and storage tanks needed to service all the collection tanks. And the millions of families that need latrines?

Customer segmentation begins with big ticket groups like people, live stock and crops then tapers slightly to include businesses, industry and institutions. The fact is almost everything needs water and liquid generally has to be in a container to be useful.

The real value in the business may come down the road when we have thriving franchises in most communities. If they can manage to build a new water infrastructure then manage the commodity called rainwater, they can do almost anything. Because water is fluid, heavy and easily contaminated, it is tough to collect, store, transport and manage. Initially the flow of material will be out to our customers as they build out the infrastructure. Shortly thereafter the flow will reverse. Our customers will be transporting their crops and goods to the franchise for distribution back through our channels. This will bring the value chain full circle and in a sustainable manner.

Microfinance provides a great means of providing customers with the ability to purchase systems. A home system with installation will cost about US \$100 with the loan being repayable with a year or two by selling rainwater.

A local storage tank will require a US \$2000 microloan that can be repaid within a year or so.

A transport trailer, tank and catchment kit requiring a US \$50 microloan that will allow a person to collect 250 L of pure water often during a single downpour will provide him with US \$2.50 income per session. He will be able to repay the loan that first monsoon season then use his rig to transport water or goods during the dry season to earn additional income.

There is tremendous value in providing loans where repayment is assured. This will establish a good credit history for the borrower and make lending to them easier the next time since repayment is as certain as the rains that enable that repayment.

The franchise may also serve as a loan office where economies of scale can reduce loan costs. Subsequent loans may only require a visit to the franchise for approval. A franchise may issue hundreds of loans a month which is going to make for an efficient, profitable operation location for a MFI.

It is probable that each franchise will have employees that wears many hats. They will interview prospective customers, do site surveys, process loans, supervise the installation then check in on customers during annual tank inspections.

## Post by Reed Sembower

Building infrastructure in rural India is downright daunting. How do you build millions of structures simultaneously throughout India? No heavy equipment is available. Engineers don't hang out in cotton fields. Steel isn't found in riverbanks. Never-the-less it is doable. Part of the answer, I believe, lies in setting strict requirements. Specifically:

No electricity can be used in the production, transport, assembly or use of the structure. For the most part it doesn't exist there anyway and if it did, it wouldn't be very reliable and electrical components are expensive and repairing them takes expertise, time and money that may not be available.

No power equipment can be used in any process. Machines are expensive, unavailable and dangerous so using them in any process is out of the question.

No written instructions. For the most part farmers can't read so it would be counterproductive to provide written instructions.

No trade skills. Rural people don't have them so requiring them is pointless.

No part can be heavier than a 2-man carry. If it's going to take 10 men, 5 oxen and a lever a mile long to move something, it isn't going to happen so nothing can be so heavy that it takes more than two people to pick it up and move it into position.

No safety compromises. If it can't be done safely, it can't be done. It's that simple.

No proprietary parts. Having to wait for that special order widget to arrive from Wichita is a recipe for a work stoppage so parts and material have to be readily available.

Daunting huh? Actually what it does is shape the endeavor. It forces absolute simplicity upon every aspect of the undertaking. It forces everything to be reduced to the absolute minimum. It squeezes every bit of fluff out of every aspect of the system. And this is all good. With all this in mind, every aspect of every product and process in this system meets these requirements.

Products and processes that are too difficult for the average person simply don't get done or used. They're too complicated. By setting clearly defined high-water marks, we can enable the average person to not only accomplish a task but also take care of their products and get the maximum value from them. With this in mind all the processes and products in this system try to hit these high-water marks.

- Ease of assembly. Building storage tanks is going to take training which I will go into in a following post. But by and large, once trained crews start building tanks, new hires will simply need to watch and learn and then they will be able to complete all construction tasks well.

- Ease of operation and maintenance. My dad has been using computers for 25 years and he can barely add an attachment to an email. Some people are simply confounded by complicated things and they can't or won't use them. Gravity flow and turning a valve are about as simple as things can get.

- Easy to own. The more joy something provides the more you relish it, the more you look after it and the more ways you find for it to provide comfort. I tend to see this system as a great enabler. It will enable mothers to take better care of her family. It will enable her to be more loving. It will enable her to be more productive. It will enable her to be healthier and happier. Hopefully it will enable her children to get a good education.

- Inexpensive. This system is designed to enable the tanks to pay for themselves through the sale of surplus high quality drinking water. It doesn't get any better than owning a product that paid for itself.

- Repairable. If it breaks down it won't work so it provides no value. Tanks are designed to be easily repaired. Tanks have no moving parts so there isn't much that can break down.

- Adaptable. Open standards. The problem with water is that every living thing needs it. Even worse, many nonliving things also depend on it. Things like businesses, industry, institutions and so on. Trying to create custom products to meet every customer's need is simply out of the question. However, creating products that customers can modify to meet their needs is very doable.

- If we are going to go through all the trouble of providing this system, we might as well provide as much value as possible. Reaching high-water marks help to accomplish this wonderful duty.

### **Post by Reed Sembower**

The critical first phase is to get clean drinking water into people lives. There are a number of ways to accomplish this including:

A young man heads over to the local distribution facility and loads up his bike with an assortment of 100, 250, 500 and 1000 L tank kits. He then heads out and canvasses a neighborhood hawking his wares. A mother flags him down and decides to purchase a 1000 Liter tank for US \$10. The salesman quickly assembles the tank on the spot. The tank includes a cover and a hose, filter and funnel that enables her to fill the tank with water running off her roof. Once full, the hose and funnel serve as a siphon so water can be dispensed without removing the cover. By the end of the day the young man has sold out of his supply of tank kits, he has made US\$ 8 dollars, and eight families are now equipped with water tanks.

A community decides to provide everyone with a year's supply of clean water. With the monsoon season about ready to begin the city orders 10,000 tank kits that are delivered the next week. Teams then fan out within the community and assemble one tank for each person in the house. Sitting along an outside wall is an array of tanks, with a simple gutter system, filter and downspout. The tanks are all interconnected with siphons. It only takes a few rains before all the tanks are full which will provide everyone in the family with safe drinking water throughout the following dry season. Total cost: about fifty thousand dollars.

A multinational swings into town with a truckload of tank kits. They set up a display in the town square and demonstrate how to assemble tanks. Everyone in the crowd is given a 25 liter tank kit to assemble along with the instructor. Team members assist guests as they assemble their little tanks. At the closing of the demonstration everyone is given a 1000 liter tank kit to take home along with the newly assembled 25 liter tank. In short order the MNC's logoed tanks sit in residents home and families have more clean water capacity. Shortly thereafter local retailers begin selling tank kits that carry the MNC's logo at subsidized prices.

### **Post by Saul Rozendo**

In response to Reed's proposal of vernacular architecture,

The subject is extensively studied in college. There is no success in doing this in response to 827 million people that live today in rural India, and somehow I agree. Modern technology and electrification allow a more efficient way to produce goods and provide services.

If one prepares concrete following the requirements, the amount of waste would be at least three times bigger than that from modern technology.

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## **DEFINING SUCCESS AT THE BOP**

### **Post by Kristin O'Planick**

It seems we are shy to throw out ideas of BoP success stories; perhaps we need a new definition of success for the BoP. I find it curious that when examining BoP business ventures we seem to raise expectations of what success means. For the MNCs that have made in-roads, we are quick to point at how they've failed - forgetting how many ToP businesses fail in the developed world. I'm sure the same would apply to the SMEs as well. Should a BoP venture need to sustain more than a decade to be successful when that is an often quoted lifespan for the average ToP business?

I'm personally a fan of the SMEs as the means to build the BoP private sector ecosystem. I think they won't sustain as long because of the inherent tenuous nature of the communities on which they are based. One cyclone or drought, for example, could bring down an otherwise excellent business model just because those communities don't have the resources (such as insurance or financing) to recover and adapt.

Scaling and replication are also mental models that we force on this type of business. Those questions have been grappled with on many levels and it seems no one has any real solutions or best practices as of yet. But could that "problem" actually just be the nature of BoP business? We all accept that these businesses are very community specific, so why do we expect the business to be

able to pick it up, change geography, and make it work again? Why isn't a profitable business that serves one community very well considered successful? Perhaps we need to step back from the search for the silver bullet solution...

Would love more thoughts on this. I know there are many others following this discussion - please feel free to contribute any ideas!

### **Post by Yousuf Marvi**

You have asked a question that I think hits the core of the issue. However, before asking that question, one should not forget that most of the time, these BoP communities are developed ad hoc. This means that they lack structure, legality, and certainty (due to a combination of a lot of these pervasive elements of their environment).

Therefore, the businesses that are developed within these communities are a product of their ad hoc needs. These needs are different in varying BoP communities. Then, how is total replication possible. Also, BoP targeting businesses should realize that these communities cannot thrive if the business solutions provided to them do not integrate them into the "formalized" society. There is no good in creating and supporting a business model that regurgitates powerlessness and marginalization.

### **Post by Daniela Ochoa**

Thank you Kristin I like your question of\* "Why isn't a profitable business that serves one community very well considered successful?"\* it's in the same line of my last intervention. For me more than a why which seems to bring the focus on the scale of values of capitalism etc, I would like to drive the exploration towards\* "How"\* How can we legitimize the success of community well-being oriented business so that they are embrace and supported?

I also agree with the delicate issue to take into hand context particularities of a project including geographic, cultural and other characteristics before starting to replicate a model. Many painful examples can be point out in human history where the lack of this consideration created the greater pitfalls. Nonetheless, the duplicability of successful best practices in appropriate ways has proven to solve so many of the problems at the BoP that it would be a waste not to try it right? The question is then, which standards to take to guarantee that such sorts of initiatives are actually more beneficial than invasive? How to involve the private sector while remain respectful of a community culture and/or traditions?

Would love to hear some comments about this, thank you!

### **Post by Lysander Menezes**

Hi Daniela,

My intuition is Manish's on-going research analyzing the institutional frameworks of Multi-Sector Partnerships might provide some rich insights into answering your question: How does one involve the private sector while remaining respectful of a community culture and/or traditions?

### **Post by Bhushan Shah**

Hello Everybody,

Thanks to all for your inputs and comments.

Greetings from Kathmandu, Nepal. My name is Bhushan Shah and I'm a freelance business and development management consultant. On the development side, my work focuses on market oriented economic development.

I was wondering how we should treat social enterprises in the context of our current discussions? Are they part of the private sector or of the third sector? Or, do they straddle both these sectors?

The reason I ask is that I see quite a few social enterprises in Nepal trying to make a contribution to fighting poverty through commercial activities.. And some of them seem quite successful at this. A typical example is Mahaguthi, a craft exporting firm ([www.mahaguthi.org](http://www.mahaguthi.org)). Although legally organised as an NGO, it is in reality a business. It is also certified as air-trade. The business model is based on outsourcing basic production to low income/BoP producers. Critical value-adding functions (such as product design, finishing, marketing and exporting) are handled centrally by Mahaguthi itself. From what I gather, the entity is fully self-funded and receives no external funding.

It would be interesting if some of the participants of this discussion could visit the Mahaguthi site and share their thoughts.

### **Post by Manish Srivastava**

Hi Kristin and other members in the forum,

I am Manish from India (currently in Boston). Over last 4 yrs I have been engaged with Unilever's cross-sectoral partnership with government and NGOs and got an opportunity to work closely on Unilever's BoP models (Project Shakti: [http://www.hul.co.in/citizen\\_lever/project\\_shakti.asp](http://www.hul.co.in/citizen_lever/project_shakti.asp)) under guidance of Prof CK Prahalad.

Now what you highlight are 2 distinct approaches:

1. Top-down BoP: that's based on assumption that if those at bottom engage in top-driven economic system and serve their markets or be their market, they may overcome poverty. There are many misses in this assumption itself and Amratya Sen's development economics would highlight. To start with: Do those at bottom have enough capability (re: education, health, infrastructure etc) to actively engage as business partners and have a voice?

2. Bottom-up local community based economic development: this model aims at self-sufficiency and caters to local needs. An example is Selco India [http://en.wikipedia.org/wiki/SELCO\\_\(India\)](http://en.wikipedia.org/wiki/SELCO_(India))

While Top-Down BoP approach is business profits driven, Bottom local economy model is social need/ mission driven. This makes the whole difference. BoP driven by large corporations are never main-stream in business cause:

1. Community-based economic models do not get enough money as compared to other traditional businesses.
2. They cant be run on metrics and expectations of a traditional model (seeking quarter results of double digit growth).
3. They seek long term investment in building local capacity like primary education, women empowerment, health etc (that runs against short term, profit seeking corporatism).
4. They need high local contextualization (not aligned to corporate concepts of scaling) and
5. They are driven by passion and purpose

I have more hope in local economy driven social enterprises for societal transformation.

I have many case-studies and personal examples to support my thesis but e-mail is not a great medium to do that. Hopefully above links help.

Let me know your views.

### **Post by Kristin O'Planick**

Great points all.

I agree that a social enterprise can be profitable - as long as the social value is still a focus of the business. A social enterprise that can't turn a profit, or at least breakeven (a breakeven nonprofit is great too!), then there is no hope of sustainability for the enterprise. A social value proposition won't go very far without the financial bottom line to support it.

Metrics have been mentioned a few times by different people. I like Manish's observation that BoP enterprises cannot be expected to meet the results required from traditional business models in developed countries. There was also mention of a need for verifiable impact assessment results to encourage further investment. While I agree with that in theory, in practice most BoP ventures likely don't have the resources to support the design and regular implementation of an appropriate monitoring and evaluation system. Traditional development projects often have a dedicated staff member to deal with these issues because they are so difficult - and even then there are a multitude of criticisms of claimed development outcomes.

How can a BoP venture attempt to address this desire for proof of triple bottom line results? Is a BoP venture started by a MNC doomed to strive for the wrong metrics, inherited from the MNC? Can a locally-driven social enterprise understand the results that outside (foreign) investors may require?

The day hasn't ended yet, and we're hoping to hear from some more participants! Please chime in.

## **Post by Jeff Finkelman**

Hello,

My name is Jeff Finkelman and I've really enjoyed reading the responses sent in throughout the day. Having read Kristin's plea for more entries before the day's end, I thought I'd throw in my two cents.

During the year I am a graduate student at the Johns Hopkins School of Advanced International Studies in Washington, DC, but this summer I'm doing a research internship with Ashoka in their Full Economic Citizenship Department. Though I've only recently begun with Ashoka, some of their work may be relevant to the issues brought up today regarding the success of MNC BoP ventures as well as the concerns about monitoring and evaluation.

Though it may seem unnatural for the actors involved, partnerships between private sector firms and non-profit/civil society organizations have the potential to improve the chances of BoP enterprise success. As was mentioned a few posts ago, MNCs are reluctant to enter BoP markets if it means changing their business model and adjusting to a new market. It seems that often, the closest they come is to source from new BoP markets, rather than sell to them.

Ashoka's model, which is new and still needs to be tested, is to develop "Hybrid Value Chains" that incorporate civil society into the value chain. The advantage of doing this is that the private sector firms gain local knowledge they would otherwise never have. Creating business models that allow them to tap into new markets can be done in partnership with civil society organizations who generally will have a stronger understanding BoP consumer demand. I would also argue, though Ashoka hasn't made this explicit in their model, that involving civil society in BoP ventures may also improve monitoring and evaluation efforts. Though not every NGO has the capacity to do full-blown randomized experiments, they are certainly more familiar with the kinds of evaluation techniques commonly used in the development community. Furthermore, they are usually much closer to the social impacts than often are private firms, enabling them to gather more information about the effects of the venture.

I don't want to go on too long here, but a concrete example worth looking at is a partnership Ashoka put together in India for health insurance (<http://www.ashoka.org/sites/ashoka/files/FEC%20India%20Microhealth%20insurance.pdf>). They brought together private insurers with an Indian public health CSO to facilitate the development of a micro-insurance product that met the needs of and was affordable to low-income consumers. The CSO not only helped the insurer understand the needs of BoP consumers, but because they were trusted and well-established in the communities, they also were able to act as a ready-made distribution and marketing network.

It remains to be seen if this type of partnership is replicable elsewhere, but I think where BoP business opportunities arise, it is worth considering whether CSO involvement can bring value to the project.

Thanks again for this great discussion - I am looking forward to hearing more from others.

## **Post by Lysander Menezes**

I am interested in learning more about Asoka's model of Hybrid Value Chains.

## **Post by Xiaojian You**

Dear all:

Thanks for sharing your thoughts and cases. My name is Xiaojian You, a program manager of Green Leap Initiative (GLI) at the William Davidson Institute. I would like to share something about our project, thoughts, and findings with you.

- GLI aims to commercialize clean technologies in BoP markets, and has initial focus in China. In China, BoP and Green Leap are kind of new. However, there are many cases on the ground already leveraged private sector for local development.
- GLI is in phase one of building a cross-functional platform with Chinese governments, universities and pilot businesses;
- GLI in phase two would like to launch pilot experimental projects in 2-3 selected BoP sites;
- GLI in phase three hopefully could have some successfully commercialized applications, which will be tested to scale out to other BoP sites. This test aims to find a way to obtain scalability.

- Finally, GLI hopes to develop a protocol to share roadmaps and implementation, which can work for business, government and local community to co-create sustainable businesses in BoP.

According to my knowledge and experience, I would like to share following comments:

- I think private sector needs partner with public sector and local communities to face challenges. We see this type of collaboration is still lacking in China. When we talk with a MNC in Beijing in Dec. 2008, they told us that they want to see the Chinese government and leading universities join the effort also. It makes sense, especially in China, because public sectors do have great power in forming the market conditions in BoP areas, and because research institutions could help conduct applied research and analysis, which serves both involved businesses and policy makers.

- I think the pilot project needs two experimental phases: "Experiment in one BoP site" to learn local knowledge and remove local barriers and "Experiment in scale-out to standardize the process of learning and removing". Both initial commercialization and following scale-out won't come automatically, so they both need innovative design (with changes) to make them happen.

- It's highly likely that different industries (for varied needs) will have quite different obstacles and approaches, but hopefully there are some commonalities to share; For example, the healthcare in BoP certainly will have very different market structure comparing to energy services in BoP. I was glad to hear that the Healthcare group in Cornell Global Forum said they would move to create a kind of "BoP Protocol for Healthcare". Hopefully they could make progress in that initiative and bring some knowledge back to us.

- I think MNCs could take the SME/Venture Enterprise model (or just partner with SME with equity sharing) to start small to test and learn, also build coordinate with public sector and local communities. With small and controllable investment, MNC will learn whether their clean technologies could be commercialized, whether the public sector will sustain their role to build enabling BoP markets, and whether local communities will partner in the effort to build capacity to run local operations, etc.

- I think there could be two viable platforms for pilot works. I still think both need strong support of public sector and academic research. It looks to me that poverty and sustainability are complex issues, so needs all actors, who have power in economic and political areas, to move together.

a) MNC(taking SME model or partner with SME)

b) SME with NGOs (consulting services providers, R&D services and/or capital providers)

- Pilot projects supported by cross-functional platforms could be very useful because they have the full capacity to challenge tough issues, while individual SME or even MNC won't be able to do so. I think one area with similar geographic condition and social context needs at least one pilot project. For example, China could be divided into 5-6 regions: east mountain region, southwest minority/mountain region, north plain region, northwest desert region, etc.

We would like to actively learn from local realities and past experiences.

So, I am looking forward to your thoughts and suggestions. Thanks!

### **Post by Yousuf Marvi**

Hi Xiaojian:

We, at Affordable Housing Institute also have a model of how to develop successful models and engage the public sector to create a large scale model. The only difference in our model, which is taken from on-ground learning is that your phase two comes first: i.e., first you need a successful model, then you can engage other partners into your project. In other words, you will need to provide for the initial hard and soft costs through partners and donations. If there is nothing to prove for, public sector will usually be reluctant to listen to you. This model should work in any form of government (democratic or other).

In the summer of 2008, I was in Yuxi and Daxi, Yunan, China and I saw a lot of clean technologies (solar panels to heat water) over there. I was quite impressed.

## **Post by Garrett Wyse**

Hello all,

I have been reading this discussion with great interest and thought ye may be interested in a simple project I was involved with. This is to try to illustrate the active involvement of public, private and civil society actors in one common project but one which needed all the actors to play a role. As it turned out very few people in the overall cycle of development knew the others in it.

I lent money to an MFI investment fund which in turn lent the money on to an MFI in Uganda. I went to Uganda to write some newspaper articles (I can send the links on for them if anyone would like) on the people I had 'invested' in. Then I found out that some of the farmers I had invested in had sold their produce to a local processor in Kampala.

This processor was getting help with supply and distribution channels from an Irish NGO [www.traidlinks.ie](http://www.traidlinks.ie), which is funded by the Irish government. Traidlinks got people in Ireland to help with distribution channels, marketing, making sure EU food standards were met etc. So I was able to buy dried fruit off a supermarket shelf in Ireland, which I knew I had given a commercial loan to the actual farmer to produce.

An NGO funded by a public body (Irish Aid) then set about creating a brand in Ireland (Heart of Africa) and sold the Ugandan produce in Ireland. So there was a unique combination of public, private and civil society actors all working together, all getting what they wanted (I got my loan back with interest, the farmers were paid a fair price at the gate, the processors were paid good money (EU markets accessed), the NGO was actively helping develop distribution channels, promotion etc. and the Irish government through Irish aid was actively helping in alleviating poverty on a sustainable, long-term basis.

What struck me was that very few people in the whole cycle knew the others existed never mind worked together with them. The MFI I invested in never heard of Heart of Africa and so on.

It would seem from many posts to this discussion that such as the above could, would and should work, but to me the problem seem to be in the development of an overarching strategy to make such examples as outlined above the norm and to make sure that they are replicated everywhere, with local culture and environmental considerations taken into account, but with the basic premise the same. Many actors doing their own thing without regard to possible complementary work, other actors and sectors working in similar areas seems like duplication and ignorance at best and mini-empire building and ego at worst (this is not always the case of course and likely just articulation and communication of an overarching strategy would help alleviate)

Each actor must get their appropriate return whether it be in the form of cash, more business, better impacting aid, channel development, living standards improved, better standards of production and processing etc. etc.

Sorry for going on,

Thanks for the opportunity to contribute, and well done to all involved.

## **Post by Michael Goldman**

Greetings from South Africa.

Thank you Monica for getting us started. I am Michael Goldman, Senior Lecturer at the Gordon Institute of Business Science (GIBS) in Johannesburg.

As part of our work in the BoP Learning Lab in Southern Africa, we have seen that there is a strong and important role that the private sector can play in addressing poverty. This is often as a result of "institutional voids" in the political-economy that both create opportunities and responsibilities for companies to 'get involved'. For some it is about addressing issues facing their customers, and can then be viewed as either market development practices or corporate social responsibility practices. For others it is about addressing issues facing their employees, from investing in transportation systems, housing schemes or healthcare. Within the framework of South Africa's economic transformation (broad-based black-economic empowerment), we also see companies investing in the development of their smaller, previously disadvantaged suppliers. These approaches demonstrate some of the scope of corporate involvement in the BoP context.

We have found that some of the companies that engage in the BoP context (as a socio-economic space with employees, customers, business partners and suppliers) follow some kind of protocol or operating model specific to that context. These are often the US and European MNCs who may subscribe to certain model or have been influenced by certain BoP thinking. Most companies doing business within the BoP are not MNCs, however, and just view the BoP context as they would any other context. Many of these are companies that grew out of the BoP context and are managed by people who have lived (or still live) in that environment. In South Africa the BoP is not far away, one doesn't need to travel to reach it - it is all around, fully integrated into the formal economy.

I would be most interested in understanding how other people see company practices in this context. What are the primary motives that drive corporate activity in this space? How do companies think about this BoP context? How might their business practices be different within this context?

I hope these few comments are useful and look forward to other perspectives and important questions.

### **Post by Lysander Menezes**

Hello Michael. Greetings from India. I am Lysander Menezes, Research Advisor in PATH's India Program. PATH is an International NGO based in Seattle, which focuses on transferring health technology and programmatic solutions to entities in low resource settings: Governments, Companies and so on. I agree with you that Monica has stimulated our thinking with a few pertinent questions.

To answer your question: how do companies think about their BoP context? I think they perceive developing local franchises in these populations as having a positive income effect. These franchises form a locally propagated marketing channel, which relies on word of mouth transmission of how the companies are helping augment incomes in this space. They also have a tendency to innovate. Consistent availability of their goods along with the presence of local franchises forms the best marketing mechanism in this context, particularly when there is a lot of intense competition for market share at the Top of the Pyramid.

### **Post by Mike Lane**

Hi Lysander,

I appreciate your contact and comments.

I am working on a model for selection and supply of affordable, essential goods into the poorest communities, - the local sales of which could be by a simple franchise with local partner agencies.

I am currently starting some 'in country research' on what products are needed - which will of course vary between countries and regions. I then hope to set up a pilot trial with suitable partners, based on UK purchase and collation of selected goods into suitable mixed cases for distribution and local sale via third sector channels and partners

May I ask if PATH India might be interested to collaborate in any way with this research and/or model development and trial?

### **Post by Lysander Menezes**

Hi Mike,

Let us explore possibilities in the days ahead.

### **Post by Chen Xiaopeng**

Greetings from China. I am currently a PhD candidate in School of Economics and Management in Tsinghua University, Beijing. Last year I visited Center for SGE, Cornell for 6 months. I would like to thank Monica and her colleagues for hosting me and facilitating this conversation!

I think what Mr. Goldman found in South Africa that companies have already engage in the BoP context is quite similar in what we found in China. Market mechanism is working there, lots of SMEs and entrepreneurs are fighting for very little margin that would not attract MNCs a lot. Thinking that there a large potential informal economy to be turned into formal economy and brought into the global chain is not so helpful in China's context. There are still unmet needs, but considering BoP in China as not best served is better than considering it as not served.

At the same time (which has been talked a lot already) Chinese government is actively trying to do almost everything it can image in poverty alleviation and not willing to (also with enough power) let private sector or NGO involve a lot or take control. I think Chinese government is trying to prove that though private sector could be more innovative and efficient in competition but in improving the well-being and capability of the communities public sector is no way to be worse (if they are willing to do it and powerful enough). I'll have to say that in China's context, the government may not be the best in efficiency - they probably used more resources than private sector to do the same thing, but it does not mean that private sector would serve them better, even if the motivation and willingness is not considered.

I think those are reasons of why there are not a lot MNC players entered BoP in China. I agree with Mr. You that in China it is important to partner with public sector if private sector wants to serve the BoP. For those Chinese companies already engaged in the BoP as producers, governments, banks and local community were often involved in their business models. A company usually comes with ideas, technology and market channel, while the local government arranges loans and pursues rural people to grow or feed what the company needs (and ask them to sign contracts to ensure the company can and must buy them all with fixed good price if the quality meets the need of company) if the plan of the company is accepted. This may happen in other countries but since Chinese government has strong control to the bank and the community, this government-supervised model becomes the dominant way of doing business in rural China. It failed in some places and made losses, but generally it worked (and still works) in most part of China and some of successful companies grew up and became really large (e.g. in the dairy industry). We noticed that the company was usually willing to pay for building the relationship with the local community, in ways of providing health care, pay for the tuition fee for children from poor families, and so on. There is plenty of social involvement in this process which can be studied.

I have another concern about the sustainable development and the BoP. We were talking about BoP helping to achieve social sustainable through poverty alleviation and we were also talking about companies with clean technology going into BoP. Recently this is becoming an emergence as in the theme of recent Cornell Global Forum.

It is easier to understand that applying clean technology in BoP communities is a good combination to achieve sustainable development both in environmental and social means. However I do not see this clearly about the connection between clean technology and BoP-as-producer business model. It does not seem to be a necessary combination for a firm to be "a sustainable one" that it provides clean technology products/services and hire poor people at the same time. If that is true the only way of this emergence between clean technology and BoP that make sense is the BoP-as-consumer (of clean technology) model. Will this narrow the view angles of BoP, especially when we still do not have many successful models? I recently interviewed a company making biological pesticides (with neem tree fruits) in China. Its business model surely has the concept of clean technology in product side, and involves poor people in supply chain (providing them neem tree planting technique and buying fruits back, as in the government-supervised model mentioned above). Do we call the appearance of this type of business an emergence? (I think this may not totally fit this topic but more like a general question. Hope we can discuss it later during this activity.)

### **Post by Monica Touesnard**

As Chen mentioned in his email, the Center for Sustainable Global Enterprise recently hosted a forum focused on the intersection of clean technology and BoP enterprise development, an area of particular interest to us, so I'd like to pose some thoughts and questions on the opportunity for clean technology development in BoP communities.

Clean technology can play a significant role in improving the quality of life for everyone, but in particular for those in low-income communities. However, in many instances these technologies are new (disruptive) to the marketplace and are not yet ready to be introduced and accepted by mainstream markets. In developed countries we are used to modern conveniences thus limiting our need and patience for using some of these newer technologies. For example, when we turn on the light switch we expect the light to turn on immediately. Therefore it can be argued that the BoP is the best place to develop clean technologies. Given their current reality - limited or no access to reliable sources of energy, healthcare, clean water, IT infrastructure, and the list goes on - BoP community members have the patience to utilize and experiment with these new, clean technologies. For example, some energy through solar technology is better than no energy at all. The cell phone is a good example of a technology that has been used successfully in BoP markets in innovative ways and with new business models.

The question I ponder is whether or not the BoP is a better place than developed markets, for the experimentation and commercialization of clean technologies? What are your thoughts?

### **Post by Jianghua Zhou**

I am Jianghua Zhou, a PhD candidate in Tsinghua University, China.

First of all, I want to thank Monica and all the others for this great online discussion.

I agree that BoP market can be a good test field for disruptive innovation. And I also believe that disruptive innovation can be a good perspective to explore BoP issues. But I want to raise some questions.

(1) Two months ago, I made a presentation in Germany about a research proposal, to explore BoP initiatives with the perspective of disruptive innovation. Some professors asked whether it made sense to narrow the focus only on disruptive innovation. I think it is a good question. Even cases of innovation for BoP are not easy to find. What about disruptive innovation? Yes, cell phone and distribute solar voltage system are good examples. But despite that, can we find enough cases of disruptive innovation in BoP to support our research? One or two cases are easy to find. But, what about samples for research? For case study research? For quantitative research? Have we narrowed ourselves too much on this topic? Will disruptive innovation be a promising field for BoP research?

(2) Lots of efforts have been put on BoP initiatives, and many reports have been published on this topic. But it seems to me that latest documents about BoP were most practical guidelines or chronicle description of some successful stories. Few theoretical papers are found. Then I have a question: will the BoP issues be a promising field for academic research? Or, it could just provide some guidelines for business world? Could we promote BoP research into some more theoretical level? What shall we do to achieve that objective? Even when we talk about the Green Leap initiatives, we talk more about finding successful stories and providing consulting with some kinds of protocol, less about academic research. What will be the direction of BoP issue in the future? More practice oriented? or more academic?

(3) Green leap provides us with a pretty vision. If we can integrate green technology with BoP development, fine. But will green technology necessarily converge with BoP? What if the answer is no?

(4) Concerning business for poverty, we have lots of terms: propoor business, BoP strategy, disruptive innovation, inclusive business model, inclusive capitalism, doing good and doing well... My question is: do we need so many terms? Are there anything in common in these terms? Or, are there anything different within these terms? Can we integrate these different 'theories'?

Well, I raised some questions. And hope someone can present some discussions

### **Post by Xiaojian You**

Thanks Xiaopeng (from Tsinghua University) and Monica to raise the topic of commercializing clean tech in BoP markets. The Great Leap Initiative (GLI), which I introduced yesterday, are working toward a multi-sector partnership in China to focus on this convergence of clean tech and BoP.

First, I want thank all so-far discussions which did help me, as well as GLI. In particular, Yousuf provided their model of having the proven model first before approaching public sector. You are right Yousuf. It definitely will help. But in china, as Xiaopeng said, Chinese government also looking for solutions, which gives us a chance to recruit them. Also, an innovative collaboration between MNC and SME (or social enterprise) may open a new way for leveraging MNC's technological and operational advantage and SME's flexibility and entrepreneurship, which combines the best of both. Moreover, Jeff (from John Hopkins and Ashoka) mentioned a great Hybrid Value Chain model, which may help illustrate the incentives of multiple actors involving a collaboration. I will see the cross-sector collaboration as another convergence of the "Top-down" capacity and "Bottom-up" execution. Besides, there are many other good points and cases I will take more time to digest.

Second, I think if we view the efforts in a spectrum of two modes of "discovery" and "creation", we may know better what roles we play in this field. Some existing business opportunities in BoP markets could be discovered by approaching it with current products/services and/or current business model. It seems that such opportunities are limited. To move toward "creation" mindset,

companies need innovate technologies to develop products/services for BoP markets, so as to business model, then we could remove some barriers and more business opportunities could be "created", rather than "discovered". Furthermore, if the effort also include social innovations, by including fair trade regulation, pricing environmental cost, having labor standards, etc., Then the effort is much more in "creation" mode. To commercialize clean tech in BoP, we may need more toward "creation" mode. To be honest, I think, to find a strategy to create business in this convergence, it's highly desirable to build the concert efforts of multi-sectors.

Third, back to Monica's topic of today, technologies are very important, as said by a Chinese expert in rural development I met last year. He told me that many issues and needs in rural areas are looking for solutions, which could be technological solutions. No doubt, we all like find new innovative technologies could work like miracle to solve these issues and satisfy local needs. My concern is why technological advancement has been so long ignoring BoP needs and issues. It directs to question the arrangement of market system, which drives most capitals (all kinds, such as money, talents, natural) to technological innovations for the "wants" in the ToP. The good news is that BoP markets have been considered as emerging markets to business for years. Some progress are made. But I'm afraid if we don't try to understand why BoP is not attractive at beginning and even now, we may never find the root causes, and so won't be able to create effective solutions. As Xiaopen said, "very little margin that would not attract MNCs". If today's economic systems continue to concentrate large amount of wealth to ToP and leave BoP in poor, the situation won't be greatly improved. My point is that the advancing technologies for BoP needs find driving force in the markets with social innovations.

Fourth, the reasons for commercializing clean tech in BoP are 1) the incumbent resistance in developed markets will continue delay the applications of disruptive clean tech in ToP; 2) the unmet or under-served needs in BoP markets won't care it is disruptive or not, as long as it works. This will give developing counties a great opportunity to leapfrog: transit their economics to "green" by growing businesses adopting disruptive clean technologies. They can do it much faster than the developed nations. I hope that the policy makers in developing countries and leadership in international development organizations can seize this opportunities. The green transition in developing areas will then "trickle up" to the developed nations. This potential attracts me and the Green Leap team to engage in this cause.

These are my thoughts and look forward to your comments. Thanks!

### **Post by Garrett Wyse**

In my opinion yes, for a number of possible reasons,

Resistance to new technology (mobile phones as a perfect example of the potential uptake of new technologies in developing nations)

Numbers of actors that need to be consulted before hand, a form of red tape, which can be minimised in developing countries not taking short-cuts, but rather cutting through red tape

Less resistance to altering the norm, or perceived wisdom (a little knowledge can be a dangerous thing, I find people in developed countries with some education seem to think that that makes them an expert on lots of things, and so much more difficult to introduce really innovative ideas to)

Willingness to adopt/adapt new technologies, as they may improve livelihoods and standards of living and so will be more willingly tried

Stuck in a rut thinking, 'we cant do this' tends to be more prevalent , in my experience, in developed countries

Capital costs may be less, cost of land, labour

Less opportunity costs to be considered

Commercialisation may be easier, with lower threshold for buy-in by locals as alternatives not so abundant

## Post by Reed Sembower

Howdy,

I agree. However, mobile phones are an example of a technology developed for the first world that trickled down to the BoP. When I look at innovations that were developed specifically for the BoP, the only that comes to mind right away is microfinance. But that product is actually a service. d.light may be a good example of a product if it actually succeeds. Products developed exclusively for the BoP are rare.

When I show other inventors the requirements list I have to work with when developing products for the BoP sector they just laugh. "Why, you could work your whole life and not develop one product that meets all these requirements," one said. "Bud, why work in this market? All the glory comes in developing products for rich American teenagers, not poor people half way around the world who have no money." The "no electricity" requirement alone eliminates 99% of high tech ideas right off the bat. Throw in the "no instructions" requirement and the "no motor" requirement and it's no wonder the world's poor are poor. They are stymied at every turn.

I can say from personal experience that developing products for the third world is tough work. It has taken me twenty years worth of failures before I finally developed a product that meets all the requirements.

When I began reading material about BoP problems I was shocked. The UN (who must be the world's leading experts in report writing) has studied the problems to death. They have reams of data and incredible researchers. They know exactly what the problems are. They have all the answers. But what was most telling, is that they have none of the solutions. And that's because finding viable solutions is so tough.

As an innovator, I don't see problems, I see solutions. People who can truly innovate are very rare. But people who can innovator in the BoP sector for the most part don't exist. Dr. Smith at MIT and Paul Polak are the only two who come to mind. My passions for travel and adventure resulted in my having spent over ten years traveling in third world countries so I do have a good understanding of global poverty. Yeah, sure poverty in Guatemala looks a little different than poverty in Indonesia but for the most part, poor is poor. That is another compelling reason for working in the sector.

If you do develop a viable product, it will probably work for the poor all over the world. So while innovators are few and far between, those that can truly work in the sector and are willing to do so are very rare.

This just begs a question, where are all the BoP R & D labs? I know there are a few, such as the Barefoot College and CIIE at IIM-A, and at Stanford and MIT, but is that really enough? Shouldn't every country have labs working on products specific to local needs?

When Thomas Edison was hiring engineers for his R & D lab (which is claimed to have been his best invention) he would first conduct the interview and then give them a quick test. He'd hand them a light bulb and then ask them to figure out its volume. Those who pulled out calipers, slide rules and notepads and got busy \*weren't\* hired while those who dunked the bulb in water and measured its volume that way \*were\* hired. These hard-wired creative types were the innovative problem solvers who could turn ideas into successful consumer products. I'd like to suggest we develop a light bulb test to give to BoP kids and the ones that pass the test and have the smarts should be trained as innovators. As far as I know this isn't happening today.

However, if a BoP R & D lab were to be funded, I'd be glad to provide the innovations to get the team started.

I have a rainwater harvesting system that is ideal for providing clean drinking water and sanitation for the world's poor. Launch of this product line can take place prior to next year's monsoon season and it can scale quickly. It is cleantech specifically for the BoP.

Head on over to coralcastle.com and look at what Ed built almost 100 years ago. He figured out how to cut blocks out of solid rock, then move, carve and build structures all by himself. The trouble is that he died before telling anyone how he did it and it has remained a mystery till this day. I have high confidence that I have figured out his secret, and it's simple and there are fantastic applications for this technology for the BoP. Mumbai could create massive underground cisterns to store huge volumes of rainwater and they would also get shiny new buildings from all the blocks. Nepal could build roads deep into the mountains then use the

blocks to create hydroelectric dams and supply India with water. This old innovation is a viable solution to the water management issue. Also, with this project, we already have proof of concept: Coral Castle itself.

I have a new desalination method that requires no energy. I have high confidence in this project simply because the technology is so simple. If it works as expected, it could provide Gaza with abundant clean water. It would be ideal for Karachi. It would allow deserts adjoining oceans like in Mexico and the Middle East to produce crops along their coastlines. It could also provide Vegas and Phoenix with fresh water from the Sea of Cortez.

I have developed a global trade system that could actually save the planet. An inexpensive hull and bow are welded on to a shipping container that converts it into a ship. A framework including masts is then attached to the container turning it into a sailboat. A housing section for a family (a modified 20 foot container) sits behind the freight container. A BoP family is trained to manage the ship that mostly runs using computers, linked satellites and shore side com towers. Ships stationed in the Americas would sail the coasts moving goods between North and South America. Ships stationed in Africa would move goods to Europe and back. SE Asia would ship goods to Northern Asia and so on. Since the families would live aboard the ships, power would come from wind and solar, drinking water from rain and so on. The ability to move millions of families off the grid and out of poverty and the ability to move commodities at virtually no cost while creating no CO2 would be huge for the planet. Wealthy families that sail around the world today almost unanimously declare it the best experience of their lives. They praise the abundant high- quality family time, teamwork and discipline building, safety from drug and gangs, the world travel and so on. Highly recommended.

I'm just itching to get to work on the hydrogen problem. There are simply oceans of energy waiting to be tapped to provide the planet with abundant clean energy. This project is just the kind of challenge I thrive on. A breakthrough here would save the planet and solve a huge number of BoP problems. Just because engineers can't solve the problem, doesn't mean innovators can't

#### **Post by Petra Veeneman**

Dear all,

Greetings from the Netherlands. I am currently involved in a project in which Dutch SME companies are being matched with the needs of the market of a local community in India. Working with BoP is relatively new for me and therefore I have been following discussions related to BoP lately. I have noticed that most discussions, information I found focus on the role of MNCs at the Base of the Pyramid though. Therefore I am interested in your comments, thoughts, experiences etc. on the role of foreign SMEs at the Base of the Pyramid. The examples of BoP products I have found so far, often remain in the pilot phase and are not being scaled up. Are there any successful experiences of or with SMEs so far?

Looking forward to your reaction.

#### **Post by Monica Touesnard**

The question about examples of successful BoP business ventures is frequently posed to me in conversation. Since this is such a new area of development it is difficult to point to a good example. The one I frequently point to is the Grameen Bank (people seem to understand that example) but it is over used. I also point to SC Johnson as a proactive company experimenting with innovative BoP business models (our Center has been working with them the past several years), but they have yet to find the "perfect" scalable model.

What is everyone else citing as successful BoP business ventures, of any sort (SME, MNC, or grassroots)?

#### **Post by Charlotte Connors**

Dear all,

Thank you for this important discussion. I would like to recommend a relevant book:

Microfinance for Bankers and Investors, by Elisabeth Rhyne (managing director of the Center for Financial Inclusion at ACCION International), explores in-depth the challenges of profitably delivering credit, savings, insurance, and remittance services tailored to serve the BOP. The book offers sixteen in-depth case studies that explore successful solutions in product design, last-mile delivery

to remote villages and urban slums, and technological innovations that reduce costs and provide liberating new means of payment and remittance to populations previously tied to a cash economy.

Microfinance for Bankers and Investors is available now on Amazon.com. Happy reading!

### **Post by Pablo Sanchez**

Dear Charlotte,

Thank you for your suggestion. As part of our work in the BOP Lab, we are doing right now a case on Fundación Microfinanzas BBVA (FMBBVA). AS you might know, FMBBVA is building a network of regulated microfinance institutions to ease the access of the poor to financial services. I would like to know if this experience is included in the book Microfinance for Bankers and Investors. If not, I would like to know your opinion on FMBBVA's initiative.

### **Post by Charlotte Connors**

This response is on behalf of the books' author: Elisabeth Rhyne:

FMBBVA is not included in the Microfinance for Bankers and Investors, as it was too new. It is a very interesting approach, based on upgrading/transformation of existing non-profit MFIs into regulated entities. MFI transformation has resulted in excellent MFIs that are committed to the microfinance market, and are market leaders -- institutions like BancoSol and in Bolivia and Mibanco in Peru. The FMBBVA initiative has the potential to create more of this type of institution.

The initiative illustrates one of the key principles in the book, which is how difficult it often is to find a creative balance between the what a company can do through its philanthropic arm and what it can do through its mainstream business. In this case, FMBBVA has chosen to act through its foundation, but in a very business-like way. We have not seen many corporate foundation-led initiatives that have been as clearly oriented toward scale and sustainability as this one.

### **Post by Pablo Sanchez**

Monica, thank you for launching this inspiring initiative.

My name is Pablo Sanchez and I am working at the BOP Lab at Spain.

Definitely, private sector should have an active role in alleviating poverty, but I perceive some skepticism on this issue among people both from the social sector and private sector. The current global crisis has been to some extent provoked by the irresponsibility of some business leaders. For this reason, private sector lacks legitimacy to lead this process alone. Besides establishing cross-sector partnerships, a clear change in total value-driven ventures should be implemented. Probably, a clear definition of the concept of "inclusive business model" can shift this negative perception.

Besides the elements noted by Lizander, which I could not agree more, there are some other issues which I consider relevant:

1) The need to develop impact assessment tools for showing the triple bottom line results of the venture. By doing this, the firm can also gain legitimacy.

2) Scalability is important, but replicability should not be forgotten.

As part of our work at the BOP Lab, we started a research project to identify Spanish and European SME's experiences in the BoP. It will be hard to find these successful experiences, but SMEs have more flexibility to adapt their business model and replicate them globally. Petra, it would be very useful for us if you could share some of the most relevant experiences you have found. If anyone else can offer some insights on this, it would be really welcomed.

### **Post by Clara Cazenave**

Greetings from Argentina.

Dear All, Dear Petra:

We are Miguel Ángel Gardetti and Clara Cazenave from the Center for Study of Corporate Sustainability in Buenos Aires. Our institution is developing, since 2005, the first BoP Learning Lab in South America.

In some regions of our country, SMEs are the driving forces for BoP projects. Actually, SMEs make up an ecosystem where sometimes at least one large company participate. Due to that fact, since April 2009 we are developing a BoP Learning Lab specifically focus on SMEs.

If you are interested in this initiative, we could keep in touch in order to share our experiences on this theme.

#### **Post by Sanchez Pablo**

Dear Miguel Ángel and Clara,

As I said in my previous post, we just started a research project on SME's at the BOP. So, it would be very interesting if you can share some relevant experiences in your country.

#### **Post by Clara Cazenave**

Dear Pablo:

Thank you for your interest. We will love to exchange experiences too!

As always, we keep in touch.

#### **Post by Lysander Menezes**

Dear Miguel Angel, Clara and Pablo,

I would like to be included in this learning experience.

#### **Post by Petra Veeneman**

Hi everybody again,

It took me a while to read/scan all your interesting and profound messages... so Monica thanks for your wrap-up from yesterday's discussion!

Miguel and Clara, Pablo: it would be great to keep in touch in order to share our experiences related to SME and BoP. Please find below my contact details. In the project I mentioned before, we follow the bottom-up approach (explained by Manish before) mostly. A needs assessment is currently being carried out by our partner in India. Next stage will be to match Dutch SME's with these needs. So far no concrete results yet, since this first stage of needs assessment and identification of the local context is very important (therefore I'm already looking forward to tomorrow's conversation!).

Question to Monica e.a.: some of the participants refer to attachments (f.e. the schematic model Mike attached). I can't find any of these in the e-mail. Is there some place in the website where these files are collected?

#### **Post by Maurice Pigaht**

Dear all,

I am consultant on development aid and energy and a minor investor in 2 Rwandan start-ups.

My perspective on the involvement of the private sector in the BOP market relates directly to Petra's question on SME's.

Developing country BOP markets represent high-risk high-growth environments which require innovative business models. The businesses best suited for such environments tend to be start-ups and SMEs.

This doesn't in the least exclude larger companies from the game, however. Start-ups in Africa (where I have the most experience) are in dire need of management expertise and reliable equity partners. This opens the door to business angels and larger companies willing to take stakes in smaller strategic spin-off enterprises.

#### **Post by Yousuf Marvi**

Thank you Monica for providing a great venue. I am an Analyst at Affordable Housing Institute, based in Boston, MA, USA. We do consulting and research on Affordable Housing issues outside the US. Currently we are exploring the "value chain" concept for providing housing needs (and not houses) for BoP as a financial product.

I have read and to some extent witnessed (in Pakistan) the success of private sector in alleviating poverty. However, I have a question that contradicts, to some extent, the nature of this forum. What is the limitation of private sector in alleviating poverty?

I am going along Jeffery Sach's argument here. According to him, market mechanisms just do not work for the poorest of the poorest. While I have seen private sector do good, I have also seen its limitations. Due to those limitations, I cannot disagree with Sach's comments. Do other people also agree? If so, should private sector develop a non-profit arm--an example--that caters to this population?

### **Post by Mike Lane**

Dear Yousuf. Great question.

I work for a large international NGO and I wonder if an organization like World Vision that operates in a community context, primarily rural over the organization's history, could provide linkage for both MNCs and SMEs.

### **Post by Yousuf Marvi**

Dear Mike:

Unfortunately, I do not have the answer to that; however, thinking logically, the answer should be, yes. There is a problem with treating part of the BoP from a private sector approach and the rest (the bottom of BoP) as a non-profit (hand-out) approach. Problems such as, favoritism and group bias need to be avoided. Obviously, there needs to a completely different methodology developed for this. I believe simple integration cannot work. Otherwise a moral dilemma might arise.

Do you know about Aga Khan Trust? They just don't give hand-outs. They also do community investments. They are a great, large-scale model to be studied. I am sure many have done so already.

### **Post by Yousuf Marvi**

As to my knowledge there is no component of Aga Khan trust that would remotely qualify if as a FDI. The AKDN trust is separate from its more lucrative entrepreneurial side (that builds 5 star hotels--pearl continental hotel). The Aga Khan trust is also now involved in education. They have developed a medical college in Pakistan, which now ranks number one. Its even internationally ranked. The model of Aga Khan trust poses a very challenging non-market alternative to market-oriented approach to capacity building for poor people. The assumption truly needs to be tested: i.e. do markets work for all poor people. I don't know the answer, but Jeffery Sach's and the AKDN trust would say, "no, they don't work." In that respect, how do social conscious entrepreneurs endogenize this reality into their business models?

### **Post by Mike Tyler**

Dear BOP Forum Participants,

I have been rather overwhelmed by the number of really valuable comments and inputs and the high level of interest in this topic!

I am wondering if out of this Forum an international partnership might be established to develop and trial an effective scalable model for supply of appropriate BOP products?

My own experience and research suggest the attached schematic could work. We have warehousing and shipping capabilities available and we have identified a potential list of essential goods, which might be sourced and collated for supply -a list that needs to be assessed in target countries and of course affordability and commercial sustainability are key issues

If you or your organization could be interested to explore this further do please let me know.

### **Post by Richard M. Carlton**

Hi Everyone –

My name is Richard Carlton. I'm a physician (M.D.) and biotech entrepreneur.

I'd like to tell you about my company's product for a moment, and then tell you why I'm bringing this up in this wonderful discussion about the private sector's role in the BoP.

My company, CST Growth, LLC, is commercializing an inoculant for agriculture, patented by the University of Maryland and licensed to us, consisting of "PPFMs". These are commensal bacteria that grow on the leaves and roots of virtually all plants. Applying them to seeds and/or to leaves will

- (1) Greatly increase crop yields (hence more food and forage for the BoP, and also more biodiesel that can be extracted from oil seeds, whether centrally or on local farms).
- (2) Greatly increase overall biomass (hence more cellulose from which to extract ethanol in the BoP, and more fiber from cotton and other "fiber" plants)
- (3) Improve a plant's ability to withstand stressors such as heat and drought; and
- (4) Enhance a plant's defenses against insects and against microbial pathogens.
- (5) Increase the amounts of nutrients in certain crops (e.g. Vitamin B12, and the essential amino acid methionine), as a result of which this inoculant can help to overcome malnutrition.

We would like to see this PPFM product distributed in the BoP, because:

- (1) By greatly increasing yields, farmers can get beyond mere self-sufficiency, and will be able to afford mosquito nets for their children, pay for their education, and so on.
- (2) By affording a good deal of protection against catastrophic crop losses (from weather, insects, or microbial pathogens), a farmer gains a measure of "insurance" against being completely wiped out in any given year.

At the Global Forum, I was fortunate to meet some entrepreneurs currently working in the BoP who are keenly interested in trying out the PPFM product. One great example is Patrick Struebi, managing director of Fairtrasa Mexico S.A., which has a fair-trade relationship between growers in Mexico (avocados, and citrus fruits), and big-chain customers in the U.S., Canada, and the U.K.

Here is why I am writing to this discussion group:

1. To my way of thinking, this product is a good example of what Stu and Gordon referred to as products that can be sold (and even manufactured) in the BoP in a decentralized manner.
2. The sales would most likely be to local seed dealers in the community. It would be more efficient (and less costly) if those seed dealers were to apply it to the seeds, so that their customers don't have to, they can just go ahead and plant.
3. The manufacturing can (and should) be done in the local nation. These bacteria are very easy to propagate to high titer - no need for Ph.D. microbiologist, nor even for a master's degree microbiologist. Any intelligent person with some attention to details and to following protocols would be able to produce this product, in one liter or 10 liter flasks. (One liter of the concentrated material, once diluted, can treat several THOUSAND acres' worth of seeds). So, with the right organization in place (an NGO, for example, perhaps working with the local university in the nation), each province in a given nation at the BoP could have its own manufacturing going on. This would create jobs of a somewhat technical nature, because in addition to the people doing the fermentation, there would be additional staff for packaging the product, doing the bookkeeping, and so on.

To tell you the truth, it would cost us more to ship a liter of this material across the ocean, than it would to make it here in the States. It's a product that is "begging" to be made and distributed on the local level in the BoP. While of course I would want some profit from this to flow to my company, I have faith that we would get a fair price (e.g. from the NGO, subsidizing it for the local growers). And I know from field trials already completed that this could vastly improve the standard of living in the local communities.

I'll give you just five quick examples, that can easily be extrapolated to the situation in the BoP:

- (1) In a field trial on soybeans in Maryland, in a drought-stricken summer a few years ago, the control plants had a yield of 20 bushels per acre, while the PPFM-treated plants produced 35 bushels per acre. I know you can envision what a difference it would make to a BoP farmer in a drought-stressed area, to get an extra 15 bushels per acre, for the same inputs he usually uses, plus a small additional charge for the PPFMs.
- (2) In a greenhouse experiment in Malaysia, paddy rice plants were afflicted with a fungal pathogen (Rhizoctonia) that is very common (and lethal to plants) all around the world. With no treatment, there was no yield of rice whatsoever. With PPFM treatment, the yields were even higher than that of the control plants (which were not afflicted with the pathogens).
- (3) In a greenhouse experiment in Maryland, PPFM treatment of rice grains caused the treated plants to grow to four times the size

(biomass) of the controls.

(4) In a field trial in Malaysia, PPFM treatment of cotton plants produced (compared to the controls) about 30% more cotton ("bolls"), and about 50% more cotton seeds. [The increased seeds can then be used to plant more cotton, and/or to produce that much more cotton seed oil, which is a biofuel in some parts of the BoP.]

(5) Forage crops eaten by farm animals are typically very low in the amount of methionine. By using strains of PPFMs that increase methionine levels in those forage crops, the animals will grow better. Cows will produce much more milk. Sheep will produce much higher quality wool. So here again, farmers in the BoP will have a great advantage in "output", for a very small cost, and a huge Return on Investment. Not to mention alleviating malnutrition in the human population.

So I'm hoping that some of the people reading these discussions back and forth might know of some ways to help get this product into the BoP. Some of you have written about Ashoka. Do you think this would be of interest to them? Can you make the introductions?

Our web site is not working at the moment, but I would be more than pleased to send some slide shows to anyone interested. If you prefer to reach me privately, my email address will be found a few lines below.

Thank you, and my apologies that this turned into a fairly long note.

### **Post by Richard M. Carlton**

Please see my note, attached, in response to the private sector's role - and what my "SME" company is planning to do.

Attachment - [Note from Richard Carlton to participants in BoP discussion.doc](#)

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## **TOP-DOWN VS. BOTTOM-UP BOP ENTERPRISE DEVELOPMENT**

### **Post by Monica Touesnard**

Manish highlights two differing approaches to BoP enterprise development: Top-down and Bottom-up. His example of a Bottom-up approach, SELCO, was featured in our Annual BoP Essay Competition sponsored by USAID and IFC as the winning essay by Abisheg Elijah. You can read the essay at <http://bopnetwork.ning.com/forum/topics/2008-bop-competition-winners>. (Please note that the site is under construction, so some aspects are not fully functioning.)

As for the Top-down approach, I was wondering if you could elaborate on your assumption. Are you saying that the top-down approach pushes current products down the economic value chain? If that is what you are saying, then I agree that there is a high likelihood of failure.

However, one approach we've been experimenting with through the BoP Protocol is that both the community and the MNC have capabilities that taken together can be leveraged into business opportunities. It is not without its challenges, but your comment sounds as though you are doubtful that this can lead to success.

I would be interested in hearing others opinions on the MNC approach vs. a community-based approach.

### **Post by Clara Cazenave**

Dear Mónica:

We would like to thank you for leading this fruitful discussion and we hope this enthusiasm could continue on the following days.

### **Post by Manish Srivastava**

Dear Monica,

First, let me thank you for facilitating this conversation so well!

You have well articulated the different MNC approaches. Many reach out to BoP with top-down 'push the product' approach that includes shampoo-in-sachets (with very high hidden margins) or Public-Pvt partnerships (with high subsidy). It gives short time success and good bonus to manager-in-tenure but is not sustainable to either- community or business.

The second MNC approach that you highlight is about business-community partnership. That gives hope but has great challenges that I have personally experienced. There are some success stories that create a win-win for both actors. India's ITC group e-chaupal is one such example. But taking that aside, in most cases there's struggle. In my last mail I have highlighted some.

"...there is more long-term investment that's needed in BoP segment. If we are addressing poverty and looking for sustainable economic development we need to

1. Address the systemic causes of poverty (that includes poor health, malnutrition, girl education, caste system etc) and
2. Build capability of the local community to sustainably engage in their economic development and participate as equals in global economy (that includes providing education in enterprise, management, economy and may be English).

My experience is that large corporations want to do business at BoP but do not have patience or systemic view to address the above 2 issues..."

If the focus is on social development and poverty alleviation its not lucrative enough for business (no margins and long-term investment) and if the focus is one business development its questionable to community leaders (limited investment in local capacity building).

Given this reality, I am currently researching on new institutional frameworks like Multi-Sectoral Partnerships that can make this happen by paying attention to larger economic and power dynamics at play.

My questions to the group here are:

What are the living examples of large corporations investing in long-term capacity building towards poverty alleviation while engaging with local communities? How do they re-distribute the wealth (what proportion?)? What is their exit-plan towards creating a self-empowered local economy? How do they measure and reward their social performance (MDGs, health, poverty indicators etc) apart from business performance?

### **Post by Lysander Menezes**

Hi Manish,

I would be interested in keeping abreast of your evolving research on Multi-Sector Partnerships.

### **Post by Manish Srivastava**

Sure Lysander,

Lets connect and discuss more. I feel multi-sectoral partnerships have great possibility and way forward.

I would be keen to learn from your and others- anyone who are working on cross-sectoral-social-partnerships as way to bridge societal divides?

### **Post by Rhesa Jenkins**

This has been a great discussion, hope it's not too late to engage. Question in response to Yousuf Marvi's link <http://www.akdn.org/akfed>. Is this really a BoP model or simply an example of Foreign Direct Investment? My question follows the line of comments beginning with Manish Srivastava's highlighting the common (mistaken?) assumption that BoP is necessarily "top-down", and summarized in Monica's reply to Manish's series of posts on top-down vs. locally driven development. A bit of background:

It seems the assumption of a dominance of top-down thinking is a carry over from the original "fortune" work that focused on BoP as a new consumer strategy.

It is nice to see, in this discussion thread, and, in emerging research, a move toward encouraging MNC collaboration in early stage development of local economies. This is a promising area of experimentation being driven by work of social entrepreneurs (per Bhushan Shah's question what = private sector). There appears to be an intersection in theme between Kristin's question on the measures of success/expectation of scaling in local community BoP ecosystems, and Monica's reference to an approach that leverages the complimentary capabilities of community an MNCs to create business opportunity. I am including a link to collaborative research of, Pilar Arroyo ITESM - Business School and Gabriel Bitran Sloan MIT, that addresses Kristin question, and, is

line with the approach Monica describes that delivers both social and bottom line results. The paper proposes an approach to BoP based on designing collaborations that build trust between communities and MNCs. The research posits the notion that MNCs must shift the "social compact" between business and community with a goal of catalyzing new markets vs. new consumers. It also suggests that these new markets, built on local creativity & control, are more likely to succeed if a neutral third party, i.e., a social enterprise, brokers the design of the relationship between MNC and community.

### **Post by Bhushan Shah**

I note that it is time to move on the next theme. Just wanted to make a small point on the theme for the first day.

Almost all of us participating in the current discussions are students, academics, staff of NGOs/ INGOs/ think tanks or consultants. It would interesting to know if our views/thinking are shared by entrepreneurs and managers of commercial firms. Engaging with the BOP segment and poverty reduction is no doubt a noble and worthy cause. An important question for me is - What is driving business involvement in BOP initiatives? Is it a business opportunity - a potential source for incremental revenue/profits because of market saturation? Is it a strategy for competitiveness (in the case of outsourcing models)? Or, is it a form of CSR/corporate citizenship and/or public relations?

### **Post by Saulo Rozendo**

Greetings from Bangkok, Thailand!

My name is Saulo Rozendo, MBA Candidate at the University of Michigan (Ross, Class of 2010). I am working with SGC Building Materials, a conglomerate of more than 100 companies in Southeast Asia, along with 20,000 employees and more than 64,000 items. The challenge here is to review the corporate strategy towards mutual value creation with the BoP. Thus, I am reading the posts very carefully and looking forward to connect with you all to discuss this matter moving forward.

There is no rocket science behind a MNC business model, except a peculiar combination of branding strategy, talent retention and purchasing power. We can have SCG Foundation help the BoP realize this combination efficiently, incubating SMEs and assuring long-term, performance-based contracts.

On the flip side, "nothing" seems to raise MNC's guilty conscience. Tsunami, global warming, extreme poverty and human suffering, war crimes, corruption and media scandals, Bear Sterns and derivatives - the willingness to keep business as usual is higher than the willingness to produce any change.

I would elaborate our role as follows:

- 1) recognize that MNCs don't know the answer and we are in no better position than anyone else;
- 2) recognize the collapsing world of human suffering and poverty, particularly in our value chain;
- 3) review in definitive our policies and directives in face of number 1 and 2.

In practical terms, we are willing to:

- 1) use a life cycle management framework to revisit our pipelines and collect data on social impacts;
- 2) partner with different stakeholders to promote the debate and an open forum for sharing knowledge;
- 3) take leadership decisions and resolve crises that arise from there.

I'm just not sure that purchasing fair trade certified products, for example, would give a MNC credentials to account for poverty alleviation. I think that we need to work on our core business, using our core competence. (well, actually that could really work for Amazon.com, if they would only do logistics with fair trade certified products)

Once again, a pleasure to meet you all and join this discussion

### **Post by Manish Srivastava**

Saulo,

I appreciate your inquiry and honesty. I too wonder that by their design large MNC are more exploitative and reactive than empowering or proactive in delivering social good. So what is the alternative? Beyond MNC?

Keep writing...

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## DAY I SUMMARY

### Post by Monica Touesnard

Today's discussion sought to examine the role of private sector organizations within the BoP space: their advantages and disadvantages, their distinguishing features, and, perhaps most importantly, the nuances of their functions across communities at the Base of the Pyramid. The major theme in today's dialogue turned out to be: is the BoP market more suitable for large MNCs or smaller SME's (small and medium enterprises)?

This led to a discussion about the motivation for pursuing BoP initiatives, particularly those undertaken by large corporations, and whether that motivation was rooted in social welfare or financial returns. Participants questioned how companies perceive business in the context of the BoP, whether as an opportunity to be socially proactive or an occasion to be profitable. Additionally, others questioned whether scalability is essential for replication and growth or whether it was sufficient for success to be measured within a single community or region.

One key distinguishing feature cited between the MNC and the SME in the BoP is the role of maneuverability in a rapidly changing business environment. Participants questioned whether large companies have the agility of an SME when it comes to adapting business models to BoP markets. Perhaps informed, highly focused ground-level experience coupled with flexibility provides SMEs an advantage compared to the lumbering nature of large corporations. SME's, with grounded sense of the local markets and customs, may better integrate into BoP communities and be more responsive to its needs. Multinationals, on the other hand, must invest significant time and resources into the communities to overcome trust issues upon their arrival. Interestingly, despite numerous promptings, the discussion remained largely theoretical, rarely delving into specific cases that illustrate the issues raised.

A final touching point was whether an enterprise's intentions at the BoP are driven by concern for people or profits. Two philosophies emerged: Top-Down BoP and Bottom-Up BoP. In the former, BoP enterprise was described as a profit-driven notion based on the assumption that if the people at the base of the economic pyramid engage in the traditional economic system and work towards a more globally integrated marketplace, they may overcome poverty. In the latter, BoP enterprise is rooted in social need and is mission-driven, whereby it is believed that the presence of local needs will breed self-sufficiency. It was noted that in the Bottom-Up approach access to capital is a major constraint in ultimately achieving success.

These questions, and others, fueled a lively and rich discussion throughout the course of the day, and will make for an excellent foundation on which to build a more thorough investigation into our central question: what is the role of the private sector in poverty alleviation?

While participants can continue to build today's discussion threads, in my next posting I will launch our next topic.

# DAY TWO: TECHNOLOGIES FOR ENTERPRISE DEVELOPMENT

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## TECHNOLOGY IN THE BOP

### Post by Monica Touesnard

Welcome to the second day of our discussion on the role of the private sector in poverty alleviation. Today we will turn our attention to the role of technology commercialization in enterprise development in low-income communities. How vital is technology to BoP enterprise development?

Many of the BoP ventures that we hear about or engage in at the Center for Sustainable Global Enterprise are technology-driven: water purification; distributed energy; IT infrastructure, etc. Is technology commercialization a critical driver in BoP enterprise development? Is it really necessary to the success of BoP businesses? Can BoP business ventures evolve without technology as a primary ingredient? What are the challenges of using technologies in low-income markets and how can they be overcome? Can you share success stories where technology has made a difference?

I look forward to your comments and participation in this discussion.

### Post by Lysander Menezes

Hi Monica,

Greetings from Lysander (PATH - India Program)!

I would like to provide two case studies while attempting to answer the following two questions posed by you:

- (1) Is technology commercialization a critical driver in BoP enterprise development?
- (2) Can BoP business ventures evolve without technology as a primary ingredient?

With regard to (1) technology commercialization is a critical driver as a technology solution transferred without a fee is viewed as having little or no value.

#### Case Study (1):

Byrraju Foundation, India: Sujala water filtration plant

The plant provides clean drinking water supply to participating families at 0.26 cents per liter in a pay-per-use manner. This is affordable to BoP population, however the plant has a not-for-profit objective even though some of the Foundation run water plants are profitable. The Sujala plant is run by a local micro-entrepreneur and it also has a delivery service.

#### Key Learning from this Case Study:

- (a) Consumer attitudes are important - some families won't drink free water from this plan, but clean water is addictive.
- (b) Local vested interests in the form of a franchise can be a factor in determining success.
- (c) The plant focuses on core competency - just supplying clean water - rather than also monitoring end usage. Water supply creates its own demand and usage.

With regard to question (2) a technology solution as a primary ingredient is only a necessary condition, sufficiency is determined by the clustering effects of a technology solution

#### Case Study (2):

Calypso Foods, Karnataka, India

The company works with 5000 farmers in gherkin production and has demonstrated income growth of farmers who are a part of this initiative. The business is a pure export one and does not serve BoP populations as consumers, but does procuring from them.

**Key Learning from this Case Study:**

- (a) Alternate uses of product can be a barrier - Calypso chose gherkins because they do not have a domestic market in India.
- (b) Contract farming with a new tech solution typically works in geographic clusters only.
- (c) The product, once again, is very important - the farmer must be willing to switch to the product

I hope these case studies will stimulate a rich discussion.

**Post by Manish Srivastava**

Hi Lysander,

Again on 2 case studies given below:

1- Byrraju is a great example. I have learnt about it while Unilever was launching a BoP segment water purification device called Pureit. I think the non-profit/ social enterprise approach of Byrraju itself is its key strength. Thus when I compare Pureit (product technologically being more sophisticated and user-friendly) with Byrraju, I feel the success of Byrraju also comes from the innovation in social technology (social enterprise, community based model) more than product technology.

[so to this group, I am offering to think in various aspects of technology- product, social, communication etc and its implication on social and environmental sustainability]

2- Calypso's case is very interesting example of community leveraging on global economy. Thanks for sharing. I have a few questions: Do we have some socio-economic assessment of- when farmers shift from local needs serving to a global cash crop, what is the impact on local economy and community health (given that some local nutrient producing crops might have seen a compromise)?

Thanks for your views

**Post by Saulo Rozendo**

From a construction industry perspective, I would say that

(1) Technology is a very important source of competitive advantage. For example, any BoP enterprise can produce ceramic tiles here in Thailand, but cutting-edge technology (e.g. first firing in cooperative batches) drives more productivity, more quality, and less environmental impacts.

(2) BoP can evolve without technology but does not evolve without education as a primary ingredient. For example, our landscaping services may benefit from BoP enterprises that introduce techniques risen from the local culture. There is no need for machinery or specialized equipment, except for the workers' level of education.

Question (2) raised a lot of discussion here at the office today, after we discussed the results of the first day of discussion. I would like to share a couple of concerns:

(3) If technology is not the primary ingredient for BoP business ventures, what is? Education? Low-income standards? Respect and patience?

(4) When we review our valuation procedures for business ventures, how do you think we should value education on stakeholders? Potential revenue growth? Increased productivity? Higher salary standards?

**Post by Ben Lydecker**

In response to Saulo - I don't see a reason that technology must be a primary ingredient for BoP activities. There are certain market barriers which technology can remove but the benefit comes from being able to change the business model, not because technology is fundamentally necessary.

I believe the primary ingredient for BoP business ventures is the same as for any successful business - the ability to provide a valuable service or good at a price customers are willing to pay. Technology, education and respect are some of the tools but they are not sufficient for success.

## **Post by Giselle Leung**

Dear Saulo and Ben,

I would first like to thank Monica and other participants for what has been a stimulating and engaging dialogue.

By way of introduction, my name is Giselle Leung and I work at a New York-based start-up organization called Enterprise Solutions to Poverty (ESP) that mobilizes leading companies and emerging entrepreneurs to build inclusive business models that engage large numbers of low-income people as suppliers, distributors and consumers. (Consumers of asset-building products such as health, microfinance, education, alternative energy). We view profitable, inclusive businesses as a powerful means to increase the income and assets of low-income people. We are currently active in India, China, Mexico and Colombia, and examples of the select companies we engage with include ITC, Tata Chemicals, Bimbo, ICICI, Alqueria, New Hope...etc.

Regarding the primary "ingredients" for BoP business ventures, I would add that while technology is not a must, it is certainly a critical tool in enabling companies to provide products and services to the BoP population who often live in hard-to-reach, rural communities. The use of cell phone for money transfer, domestic remittances and microfinance retail (eg. M-Pesa by Kenya's Safaricom, Philippine's Globe Telecom microfinance bank venture), and the use of franchise computer kiosks (eg. Dristee in India) to give villagers access to government service, market-related information and educational courses, are just two examples where technology plays an indispensable role in serving the BoP.

But technology aside, there are other fundamental issues related to the business model that one must address and which are specific to the BoP context. From our research and analysis at ESP, we have learned that companies that wish to serve or engage low-income people (ie: agribusinesses sourcing from small farmers, MFIs providing microfinance products to BoP customers..etc) must address one or more of the following issues when designing their inclusive business model:

1. How to efficiently aggregate inputs from dispersed BoP suppliers?
2. How to efficiently distribute products and services at the decentralized village level?
3. What are the opportunities to cross-sell - so a company can attract customers and drive sales, while low-income people can benefit from increased availability of goods and services?
4. What do we know about the BoP segment - their needs, habits, cash flow?

## **Post by Xiaojian You**

Dear Giselle:

In the Cornell Global Forum, below two questions were raised too.

1. How to efficiently aggregate inputs from dispersed BoP suppliers?
2. How to efficiently distribute products and services at the decentralized village level?

The team gave a solution of coordinating varied industries to share a common logistic/distribution in one BoP region (or area), which will remove the barrier to individual business, since it won't be able to sustain the cost to deal with such dispersed BoP suppliers and consumers. More the use over the logistic/distribution, lower the cost will be. Public sector might be interested in facilitating the coordination.

In a BoP class, we think it also enables the exchange markets of products/services among different BoP areas. I think this could further regional labor division (or specialization) and generate more comparative advantages. Creating such markets may be attractive in some BoP regions.

Hope these comments are helpful.

### **Post by Mike Lane**

Hello: I have heard much about the use of cell phones in sharing market prices for farmers and fishermen, using the cellphone to determine whether a medicine is authentic or counterfeit. Is this a technology which helps communities leapfrog and make big not incremental change?

### **Post by James Mason**

First of all, thank you for this forum and thank you to everyone participating for a rich commentary.

Apparently, I had technical problems yesterday and it is doubtful that my earlier posts made it through. So, this is both an update and a recap. If parts of this message are a repeat, my apologies. My comments apply equally to the issue of the role of private enterprise and the role of technology.

For as much as I believe in being solution oriented, I sincerely believe that, before responding from the "solution space", it is important to understand -- and really internalize -- answers to a few vital questions in the problem domain.

To me the most important of these questions are:

Why have we in this culture evolved a bottom of the pyramid in the first place?

What are the mindsets and behaviors that have brought about and sustain such a profound stratification in quality of life?

How have we been able to go on for decades without being absolutely driven to definitively resolve a situation where billions of your cousins live in the most deplorable conditions imaginable -- and -- has there been a significant enough chance in these conditions for them to no longer be an impediment to the programs we are attempting to implement?

Without answering these questions, how do we know if we are addressing a cause of an effect? How can we assess whether or not the projects we are engaged in will adequately address the true impediments and success factors -- unless we have some confidence that we understand the root causes?

Today's dialog has been great, and this forum is a powerful tool. Many insightful arguments and approaches have been shared. My intention is not to detract from this in any way. To be clear, I believe in the role of private enterprise and technology in accelerating the rate of wealth generation at the BoP. I see dozen upon dozen of opportunities in this domain. I have personally developed a comprehensive model for in this area. However, I have to ask these question...

Are the conditions that BoP communities live under the result of a lack of insight into workable business models?

Are the conditions that BoP communities live under the result of a lack of technological ability?

I don't believe that they are; and, if they are not, perhaps technology and business models alone might fail to address some vital issues that are required for the scalability and sustainability that has been enquired about through this forum.

Perhaps a way to put this question might be... What are some of the essential issues that business and technology require, but cannot themselves provide to successfully improve the quality of life at the BoP? Perhaps the impediments to scalability are in this domain, as opposed to a traditional value chain perspective.

After researching this domain over the past 4-years, I see virtually unlimited opportunities for private sector led technology supported synergies for accelerating wealth generation at the BoP that simply do not take place. I have to ask myself why this is so and it always brings me back to root causes.

So...Why is there a base of the pyramid in the first place? Is it possible to adequately develop solutions without confronting this question?

I would appreciate some feedback on this...

### **Post by Chen Xiaopeng**

I think disruptive innovation is an interesting view angle and noticed by many people in this field, including Prof. Stu Hart.

If we consider disruptive innovation as a theoretical support for BoP business, I would like to point out that it would be more like a new-market disruptive innovation than a low-end market one. It means that the most important rival for companies would be the

"non-consumers" rather than leader of the current market. We were talking about "top-down" of BoP but it is better considered as a process that companies go to a new market, transform non-consumers to consumers and thus create new value chain there. The performance of the products may not be as good as that in mainstream market at the beginning (but with other advantages that the new market cares which we call a process of "redefine" performance) but when it improves and reach the demand of mainstream, it can go back to mainstream market and defeat current leaders.

However, this is only explaining how the idea of "clean technology goes to BoP" may attract the company. It does not imply that (1) the new market must be the poor people and (2) the new market is OK with the lower performance/price ratio. For (1), clean technology can be applied initially to those not-so-low-end non-consumers and develop new market there. For (2), Performance of clean technology can be redefined by considering the externalities of technology, but less externality do not often attract poor people (do they have concerns of global warming more than richer people?). To be applied the innovation must have other advantages so that they can wait for its performance (main-stream means) to improve. Or, some non-market-based approaches need to be introduced.

As Monica stated, cellphones can be a good example of opportunities for clean technology development in BoP communities. In China we do see grassroot innovations grew up from "kickoff cellphones" in this industry (see <http://www.nytimes.com/2009/04/28/technology/28cell.html>). However they were initially accepted by BoP market mostly because they can be made affordable while basic features remain. I do not see this would be very common in other areas of clean technology.

What I argue is that clean technology themselves are neither "disruptive" nor "sustaining". It is good for clean technologies to replace current technologies if they were commercialized and developed of in a disruptive way, but we still need to figure out what technology and what current competitive situation would facilitate this technology to be initialized and developed as a disruptive innovation at BoP.

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## DAY 2: SUMMARY

### Post by Monica Touesnard

Today's discussion invited an exchange of views into the role of technology commercialization in enterprise development in low-income communities. Once again this raised numerous thought provoking questions for us to ponder: Where is the value in a BoP enterprise? Where does the true value of an initiative lie, in technology, or social enterprise? How vital is technology, then, to BoP enterprise development? Is technology commercialization a critical driver in BoP enterprise development? Or can BoP business blossom independent of technology, and all the entrance and implementation obstacles associated with it?

The dialogue included an examination of two unique cases designed to illustrate the depth and complexity of these questions. The Byrraju Foundation's Sujala water filtration plant, a water purification and delivery service, and Calypso Foods, a farmer cooperative, were both explored. The Byrraju Foundation case illustrates that attitudes and appearances hold significant weight in the BoP space, and the perception of a BoP enterprise as a source of community investment is highly emblematic of the success of community enterprise. Moreover, the Calypso Foods case illustrates that technology is truly not essential: what is essential is the trust and interest of a community to back and support a BoP entrant, substantially heightening the enterprise's chances at success and longevity. Therefore, we may conclude that an enterprise's success derives from the social enterprise sewn into it, not necessarily the technology fortifying the endeavor itself.

Another interesting addition to the BoP formula was determined to be education, a primary ingredient in the philosophy of BoP enterprise development, independent of technology. BoP enterprises with value added in the form of community social investment - that is, proactive developments and improvements to a community in which an initiative operates - is much more indicative of an enterprise's success than the technology bundled into it.

However, the discussion found that technology oftentimes lends itself to competitive advantage and is usually imperative if a product/service is to be innovative, a key aspect of successful BoP ventures. Technology is often a critical component of an initiative, as countless BoP enterprises have demonstrated. Witness the cases of Projét Radio, in Madagascar and SELCO, in India. Technology

is, more often than not, the niche space in which an innovative BoP enterprise can operate. It is the enterprise's value addition to a community, however, that dictates its success and legacy.

With technology comes the opportunity for heightened scalability and innovation, as well as a component of richer, more dynamic, and global social investment in the form of modern advancements and improvements. So, indeed, technology can be quite crucial to a BoP enterprise development, but it is ultimately the synergistic component of an enterprise's innovation with the community it seeks to enrich that determines its true impact and vitality in the BoP space.

Once again participants can continue this discussion, however I will introduce our final topic shortly.

## DAY THREE: CULTURAL, POLITICAL, AND GEOGRAPHIC LIMITATIONS

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### GEOGRAPHICAL, POLITICAL AND CULTURAL LIMITATIONS OF BOP ENTERPRISE DEVELOPMENT

#### Post by Monica Touesnard

Welcome to our third and final day of our discussion focused on the Cultural, Political, and Geographic Limitations of BoP enterprise development.

We raise this as a topic, because our experience in the Center for Sustainable Global Enterprise has shown us that certain regions of the world seem to be more receptive to business development in BoP communities. Take India and China for example (I know that some of our participants are from these countries so I hope that this will trigger some interesting dialogue.), there appears to be a higher level of interest and experimentation with BoP ventures in India than in China. Is this mere perception? Moreover, even though the need is just as great on the African and South American continents we do not hear as frequently about BoP enterprise development on these continents. To highlight this, for instance, the 2008 BoP Narrative Competition had significantly more submissions illustrating BoP ventures in India than in any other region of the world. Why?

What are the geographical conditions, political circumstances, and cultural biases that hinder or promote BoP enterprise development? (Our Chinese colleagues have already begun to touch on these issues, but what about other countries?) How do they impact business opportunities for the base of the pyramid?

I look forward to hearing your thoughts - in particular from participants in other regions of the world.

#### Post by Linekela Kapundja

Good day All

My name is Linekela Kapundja I'm an upcoming social entrepreneur but employed fulltime by a Coca-Cola Bottling company in Namibia.

I came across this website on my search for funding of my initiative and decided to register for this discussion.

I have really learned a lot from the last two days discussions and more about BOP which was a new term to me before this discussion started.

I have seen initiatives being done in Namibia to enhance the life of the poor but they are too expensive and unaffordable.

## **Post by Helia Nsthandoca**

Good morning all

I am Helia Nsthandoca from Mozambique. Master in Microfinance and Degree in Economics. I am independent consultant for SME's. From my point of view and experience in my country Mozambique, although there is much more need in development BoP solutions for development, there are many practical constraints, for example Mozambique until last decade had a centralized system of economy, socialist which impedes any kind of private initiative, by the other side lack of skills (when confronted to China and India), less than 50% has access to full education which also contribute to lack of management skills and last but not least lack of finance for start-up activities. Although there are some Microfinance organizations interest rate are very high (it reaches 80% per year) and even having more than 70% of population leaving in rural areas banks serving these places can be counted with finger of one hand. There is a program supporting local development but fund allocation requirements are not clear...in addition the bureaucracy when it comes to start or close a company the process is not straight forward, but the Government is trying to implement procedures that facilitates the process. Another reason is lack of communications technologies as well as language barriers.

I think if addressed this issues development from the BoP will succeed natural at least in Mozambique.

## **Post by Lysander Menezes**

Hi Monica,

This is Lysander from the PATH India Program again!

This is an attempt to answer your question: why are there more documented BoP ventures in India than in any other region of the world?

The BoP space is a moving map of India's culture, our ability to mix and match our solution sets by endeavoring to find the gaps in regulation in a highly regulated transitioning economy. The poor (as well as the rest of us) have learnt the art of 'jugaad', a Hindi term for creatively developing solutions within burdensome constraints - by viewing regulations as suggestions not fixed in stone.

This creativity has resulted in the following technology mindsets evolving according to Mythili Chandrasekar (Senior VP and Executive Planning Director, J. Walter Thompson (JWT) India), interpreting findings from the JWT Brand Chakras study:

The Doer: keen on upgrading quality of everyday life, with a thirst for ease and efficiency in day-to-day life, who wants technology to maximize life and help balance different spheres.

The Connector: strong urge to nurture relationships and stay anchored.

The Indulger: Fundamental need for fun and entertainment to cope with day-to-day pressures.

The Discriminator: pressured to establish, redeem, conquer, catch up or breakaway to create a distinct identity and distance him or herself from the rest.

As you may have guessed, these conditions have also fostered an aggressive civil society that tries to affect change in governance through public interest litigation: evolution of the legal design through judicial precedent. This social ecology has resulted in a lot of ventures targeting the less fortunate who may not have the capacity to game the system. The strong growth of the Indian economy, the opening up and deregulation of many sectors has resulted in intense competition. The massive outlays on the rural employment scheme for the poor as also on health and education have made the BoP feel that they can strive to attain a lifestyle of their choosing.

This is my understanding of the reality around me. An articulation I have reached after much reflection. I look forward to hearing Manish's take on the Indian BoP reality.

## **Post by Saulo Rozendo**

Following Lysander's articulation,

In Brazil we call the art of 'jugaad' as the "jeitinho brasileiro", which was consecrated in the late 70s with a famous soccer player in an advertisement for a cigarette. [http://en.wikipedia.org/wiki/Gerson's\\_law](http://en.wikipedia.org/wiki/Gerson's_law)

Also, there has been no growth in our economy, which is currently under technical recession. If you combine the stagnant economy with an outrageous tax burden, a start-up makes absolutely no business sense and, at the BoP, the trade off with the wrongdoing would have more sound.

Why would I start a BoP venture and give away 38.45% of my "honest money" to a low-performer government, if I get an easy buck with other products (counterfeit apparel, drugs, prostitution, sweatshops, guns, corrupted lobby)? I heard about that very often from civil workers, when I was working on urban renovation of shanty-towns in Brazil and Colombia

## **Post by Manish Srivastava**

Hi Lysander,

I was about to leave for a day-long workshop, when I saw your mail and felt I must reply.

I loved your perspective- rich in depth and breadth of Indian reality-coming from someone with real hands down experience.

My little experience resonated with your insights. To add, I may also say that India has many inspiring BoP stories cause, India also has maximum no. of poor, malnourished, marginalized on one hand and one of the fastest moving cohort of middle class (upward mobility in new economy after 1991) on the other. Plus (speaking from psycho-spiritual perspective) there is rich spiritual tradition and social values (embedded in Indian mythology and collective unconscious) that brings an Indian back to service of community.

Thus taking personal account, there are many like me who move to corporate sector coming from a modest/ struggling rural background. But the stark reality- coexistence of extreme riches and poverty hits you mid way. The divide calls you to serve your roots and bridge the gap. I have come across many similar leadership stories or hero's journey (ref: Joseph Campbell)

What do you feel?

This perspective motivates me and gives me hope. India has maximum no of youth in the world (50% below 25 yrs and 70% below 35%). If we could tap this energy (it's already there)... we would have social enterprise revolution. I intend to serve developing such leaders when I return next year.

Have a great day!

## **Post by Tayo Akinyemi**

Hello all,

My name is Tayo Akinyemi and I just graduated from the Johnson Graduate School of Management in Ithaca. It has been very interesting to read the commentary about the nature of BoP ventures in different locations. I welcome additional comments and/or geographically-specific examples of such ventures. However, I'm also eager to hear more about the adaptations made and strategies employed to overcome some of the challenges described here.

Any takers?

## **Post by Lindsay Clinton**

Consider this just food for thought. I have heard from multiple sources who operate entrepreneurship (some socially focused) competitions in South Asia that they receive, hands down, more applications from Indians across the board. I, too, have wondered if India has fewer barriers to entry for social entrepreneurs. I'm not sure that that is the case. Perhaps it is a matter of a very young population with a growing middle class, as a previous commentator said.

I wonder, though, if entrepreneurship is just more ingrained in the culture in India. Living and working here requires being in a constant state of entrepreneurship in order to make up for the lack of infrastructure or lack of resources. One must always circumvent something in order to get somewhere, which requires creative thinking and innovation. From the bottom of the pyramid on up to the top, entrepreneurs are everywhere in India--they just might not be officially recognized as such. Admittedly, the ones at the bottom are usually necessity entrepreneurs--they are making ends meet by starting something new. Nevertheless, the spirit of creation is alive here.

I don't think that is the case in China. There's too much top-down control. People don't have the feeling that there is freedom to create and invent.

In our new magazine, *Beyond Profit* ([www.beyondprofitmag.com](http://www.beyondprofitmag.com)) we cover the stories of social entrepreneurs in developing and emerging markets. If you have stories to share, please write to us. We're offering a free e-subscription until June 30th. Please sign up online if you're interested.

To the folks at Microlinks, thanks for putting this together! It's been great to hear from everyone!

### **Post by Jianghua Zhou**

Dear all,

Greetings from Germany! I'm Jianghua Zhou from China, now working in Germany as an exchange student.

Thank Monica for the 3 days' discussion. It was really interesting and I enjoyed a lot. And thanks for the topic about China.

I agree that the voice of BoP in China were less heard than that of India. I think the reason is not that BoP is not emphasized in China, but that BoP as business opportunity was not considered as a research topic until 2007. In fact, there are many Chinese examples of firms doing business with BoP people and maintain sustainable business model. But little attention was given to explore such initiatives as academic research, and few Chinese scholars went to international conferences (workshops) to present Chinese cases.

I attended the BoP workshop in the Joint Actions on Climate Change Conference, Aalborg Congress & Culture Centre, Denmark, and presented my working paper with the title "Public-Private Partnerships: Co-opting Chinese firms to alleviate rural poverty in China". The scholars said that it was very good to hear voice from China. I also felt great to let China get heard.

There are indeed many such cases in China, companies get farmers into their value chain etc., since 2000. But the cases didn't get enough attention from the academic world. I think the condition will change, as the new philosophy of BoP strategy was welcomed by Chinese policy makers of considering rural areas as valid sources of expanding aggregate domestic demand. The financial crisis in 2008 further intensified the pressure to increasingly rely on private sector solution to help rural areas to develop. For example, in the campaign to "Send Appliances and Automobiles to the Countryside", the government boosted domestic consumption by giving rebates to rural citizens for buying automobiles, refrigerators and other appliances. This policy gave many firms incentives to enter or further develop rural areas.

I believe more and more Chinese cases will be illustrated in international community since this year.

Thanks again for putting forward this topic. I will be looking forward to hearing more about this.

### **Post by Saulo Rozendo**

I was born and raised in Brazil and here are my thoughts (as usual, candid) about this subject:

India and China are famous in our context because they are more likely to go the US and effectively communicate their experiences. In South America the general public has practically zero English skills. This link provides an extensive list of projects in Brazil, but as you can see it's all in Portuguese.

<http://video.globo.com/Videos/Busca/0,,7959,00.html?f=programa:Ação,controleacesso:aberto>

Also, I don't see BoP ventures considering economies of scale in their initial thoughts, whereas in China and India everything seems to be multiplied by 1 billion. I remember one project that was really good about shellfish catch; I had the opportunity to work with

this village and confirm their progress [www.meioambiente.com.br/uploads/temp/futura02.flvhigh.flv](http://www.meioambiente.com.br/uploads/temp/futura02.flvhigh.flv)

At that time, there was very limited ambition to scale up and go regional or even international with the concern that:

- 1) it would lose track on the initial mission and start thinking about corruption and money laundry to get more access to capital,
- 2) it would raise question about resource depletion and cleaner technologies,
- 3) it would increase the celebrity status outside the community, losing talents with no replacement.

I think that the CULTURAL aspect generated at the BoP is KEY for success in these ventures. I bring the case of Desportivo Brasil, a social enterprise dedicated to one of the things that we have best at the BoP in Brazil - soccer. It provides a professional, comprehensive approach to adolescents [www.desportivobrasil.com.br/en/](http://www.desportivobrasil.com.br/en/)

On a side note, the other cultural aspects generated at the BoP in South America are music, dance, fashion design, media, political advocacy and agriculture.

### **Post by Michael Goldman**

Hi all,

Michael Goldman from South Africa here again. Well done to all for the conversation thus far. To build on Monica's introduction to today's theme, I would like to focus on the political aspect for a short while, if we can.

I would be interested in hearing everyone's views on what kind of political-economic relationship is most conducive to BoP venture growth and which ones are not. Are strong politically-driven economies, as one often finds in emerging markets, more or less conducive to starting, growing and scaling BoP ventures? Are there great examples to capture of government ministries that spark and support BoP ventures better than others, because of their policies and approaches as opposed to their personalities? Might there exist any political constraints on BoP ventures, where perhaps governments are not in favour of MNC business activity in low-income communities?

In South Africa we have a combination of numerous BoP businesses that have grown out of the BoP and serve the BoP, often outside the reach of political considerations. We also have a strong transformational and developmental state that is looking to intervene to both provide products and services at the BoP and to create many more BoP businesses run by BoP entrepreneurs.

I look forward to your thoughts, examples and insights during the rest of the day.

### **Post by Yousuf Marvi**

Hello All and good morning:

I think the topic of politics and culture needs a more significant understanding of why businesses operate in area and not in another. While group bias is always a factor (India is thriving on the slumdog millionaire effect right now), there is yet another effect that businesses have almost never understood: i.e. the nature/development/existence of state apparatus.

The problem with any capitalist notion is that it assumes that a state exists. For example, when talking about bottom-up (development 2.0 agenda) it is assumed that linkages between NGOs, social entrepreneurs and metropolitan governments exist. This thought is a product of liberal political theory, which puts a lot of emphasis on institutions, but not the state apparatus development.

What do I mean by this? For example, when the state apparatus is weak, it is either unable or unwilling to enforce laws and regulations. This has two pervasive impacts on businesses. First, it increases their uncertainty about working in an environment, and second, the inability to provide laws and regulations introduce third party coercive actors who fill the vacuum of the state responsibilities (this increases transaction costs). An example of third party coercive force would be land mafia. Traditional development theory, when addressing the transaction costs posed by third party coercive actors, already assumes that the state has some capacity, which when engaged by community groups (empowered by NGOs), can address the coercive actors. Unfortunately, that is not the case, especially when the state might be failing or is failed.

I believe that this theory helps explain the lack of involvement of private sector in Africa and in many Asian countries--South America only has one failed state: Haiti. This does not mean that private sector cannot operate in these environments. After all, small businesses and other local businesses function in these environments. The issue is that the development 2.0 does not understand the state apparatus capacity in failing and/or weak states. Unless this is done, businesses participation/involvement in these areas will always be very low.

I am really interested in pursuing a study in how small businesses function in weak/failing environments (giving a strong emphasis to what to do with the missing state apparatus).

I am very interested in getting feedback on this topic.

### **Post by Jianghua Zhou**

Dear Yousuf,

This Jianghua from Tsinghua University of China. Your idea is great. Thanks for the sharing.

I think the unique context of a certain country can decide what kind of BoP business works in it. Under the circumstance that government always failed, the BoP initiatives should be different from those under liberal political market system.

In the 'weak environment' you mentioned, the deficiency of infrastructure and constitution will provide opportunities for firms: if they can provide some products or service that have the potential to overcome the deficiency, they find the potential to build a sustainable business model. That is the phenomena Prof. Mair called 'Institutional entrepreneurship', to overcome the institutional deficiency with entrepreneurial solution. Usually, under these circumstances, the MNCs and SMEs have their own advantages respectively: MNCs have the capability to scale up and SMEs have the capability for creative bottom-up solution. I think that is why Seelos and Mair (2007) presented their model of 'alliances between large firms and existing BoP initiatives'

And what about the opposite? If a powerful government have great impact on the social economy and can provide the needed sources to overcome the infrastructure deficiency? I think local firms (many of them are SMEs) can leverage their capability with the support of government. I think that is the case of China. The Chinese government is investing large amounts of money in rural area, in the infrastructure construction, and calls for firms to enter rural area to promote the aggregate domestic demand, and provide fiscal support for those firms that enter these rural area, and provide preferential policy for green technology.

I think these two different contexts can provide promising field for international comparative study.

I'm looking forward to hearing more voice on this topic.

### **Post by Yousuf Marvi**

Hi Jianghua:

India and China are not weak states (by any political definition, India might be considered weaker due to the insurgencies on its borders; however the federal government is strong and maintains full control on most federal issues). The problem I take with the argument that you presented is that, yes, businesses do adjust around a weak legal and federal system. The challenge, however, doesn't arise from just the lack of the state. On the contrary, it is the difficulties that arise when non-state actors fill-in the role of the state to appropriate public goods. These actors can be land-mafia, local-mafias in general, ethnic militias, and etc. To deal with these third parties is quite expensive and requires a lot of local learning. Foreign businesses don't want to commit to these issues.

This argument applies to many countries in Africa and Asia, of which, India and China are not good examples (they are not failing states!). If anything, based on this argument, they provide a political pareto optimal (kind of) condition for social entrepreneurs to invest.

I took a road-trip from Shanghai to Yuxi, Yunan last year. Mostly, I was not impressed with the role of the central government in the upliftment of rural communities, especially the ethnic communities. I think the development 2.0 literature has very strong evidence that extremely centralized regimes don't do well in such an grass-roots environment. The problem with Chinese model of development is that it is too objective. A very good example of this is the current development in Kashghar, Xinjiang. Local norms,

values, and behaviors are often disregarded by the provincial and central governments when constructing development oriented plans in China. Personally, I do not have high hopes for China's rural and urban (in Western states) based on the current approach by the federal and provincial government.

### **Post by Jianghua Zhou**

Hello Yousuf,

I agree there is some problem with Chinese government, and the bureaucratic system cannot provide political pareto. The problem is that the central government is too strong and no one can supervise him, and the government can do whatever they want sometimes... Well, forget it. It's not the topic of today.

Even within this circumstance, a powerful central government sometimes can alleviate some social problem. For example, clean water problem. I read many cases of clean water projects in African countries, the for-profit or non-profit initiatives. But in China, there is already no such problem. The clean water infrastructures were constructed 20 years ago in most rural areas by central government and local government, even when China was not so strong as today when most Chinese people were very poor. Imagine there was not such a powerful government, could this problem be solved so efficiently? Could private sector do this? I don't think so.

In my opinion, the government should play some role in public service, social service. We shouldn't put all the burden to the private sector. Of course private sector can do good and do well in many other area. But if government can provide good infrastructure for the private sector, will them be better?

Well, my time is up. The office is to close. I have to stop now, and would like to continue the discuss I hour later, when I go back home.

### **Post by Jianghua Zhou**

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### **Post by Yousuf Marvi**

Jianghua, I agree with you. However, I am still interested in figuring out what to do when the state apparatus doesn't exist.

### **Post by Clara Cazenave**

Dear Jianghua:

Responding to your question (“What if the firms and the poor could work together to find an alternative, say, firms provide technology, supply chain support and business model, and the poor work within it? Will this benefit the poor more than simply considering farmers as entrepreneurs?”) and as we said on Tuesday, based on our work in Argentina’s BoP L Lab (since 2005) we can affirm that those at de Base of the Pyramid actually count on actives (knowledge and capabilities). These knowledge and capabilities could be combined with the ones of Large Companies in order to generate joint business projects. In this frame, the poor could contribute much more on the project than only working within it.

In our country, as we also explain on Tuesday, we have two examples of these initiatives: Edenor (energy distribution company) and Gas Natural Ban (gas distribution company). These two cases are based on the combination of knowledge and capabilities that we mentioned before.

### **Post by Monica Touesnard**

Clara and Miguel,

Thanks for your comments. You have referred to the examples of Edenor (energy distribution company) and Gas Natural Ban (gas distribution company), but I am not familiar with them. Can you please explain why these are good examples or provide us with a website we can go to for more information?

### **Post by Miguel Angel Gardetti**

Dear Monica,

Thanks for your message.

In connection with Edenor (energy distributor): its business model changed from the traditional payment commitment every 60 days and the long and expensive (power) “cut-off” processes, in order to enable fractioned advance power purchases. Therefore, it transferred the decision on time and quantity acquired in each operation to the customer, and fostered an efficient and rational use of power, all with its relevant technological support. In this process, the vision of poverty was changed: from passive observer to be considered part of an interactive learning workshop and the reason behind the change in the manager and director’s thinking routines.

And for Gas Natural Ban (gas distributor):

The “Fideicomiso Redes Solidarias” Project created by a local NGO generated a new management model in which neighbours, NGO and Gas Natural Ban combine their efforts and capabilities in order to build the “gas net gas” where it doesn’t exist.

If there’s anybody interest in receiving more information we could send it by e-mail.

### **Post by Tayo Akinyemi**

Thank you for all of the comments submitted so far. I am thoroughly enjoying the rigorous and insightful observations that have been made. I sincerely encourage those of you who have been following the discussion silently to chime in.

What has been particularly interesting is the articulation of a need to adopt a 'portfolio approach' (to borrow Kristin's terminology) to engaging the BoP, selecting the appropriate primary actors (as well as partnerships and alliances), diagnosing/addressing institutional deficiencies, and interpreting market opportunities that may arise from addressing these deficiencies.

It is also interesting to note the tension between contextualization (political, economic, cultural, etc.) and the scaling of workable models, assuming that doing so is necessary and/or appropriate. It would be fascinating to do a comprehensive, inductive analysis (assuming it hasn't already been done), of the cases that have been mentioned as well as others, in order to capture the particularities as well as the trends. Although given the complexities we've discussed, this may be reductionist at best and "un-actionable" at worst.

In any case, I invite those of you who haven't yet done so to comment on these issues, or raise others of your own. We're interested in hearing from you!

### **Post by Tayo Akinyemi**

Hello again,

Michael and Yousuf both raise important points about the impact of political and economic 'enabling environments.' Clearly, the existence of a functioning state, one that has the will and ability to enforce rule of law, land rights, navigable business registration processes, etc., is a critical factor in the success of business. However, based on comments I've heard from other participants, i.e. Lysander's mention of 'jugaad' and Saulo's explanation of 'jeitinho brasileiro' it seems as if BoP ventures thrive because they are able to circumvent the limitations of the state.

If that's the case, one has to wonder if there are 'limits to growth' for BoP ventures due to state-based shortcomings. If so, who's responsibility is it to address this? For example, should BoP ventures incorporate public-policy advocacy strategies into their business models (assuming that the state hasn't failed)? Should CSOs focus not only on forging community linkages but also act as conduits for advocacy efforts? Does anyone have examples of how BoP ventures have addressed these challenges?

### **Post by Clara Cazenave**

Hi you all again,

We are Miguel Ángel Gardetti y Clara Cazenave from Argentina's BoP Learning Lab. Thank you Monica, again, for encouraging this space.

About political limitations, although we think the ideal situation would be that Governments assume their role of promoters and create all the conditions needed to guarantee the beginning of companies and poverty relation, we believe that this is very hard and complex and, if this ideal situation is still not there, all the other actors must have enough creativity in order to get through this obstacles and develop projects on the BoP.

Argentina's Government, actually, does not promote this type of initiatives but there are BoP projects that have known how to deal with these obstacles creatively.

### **Post by Kristin O'Planick**

Hi everyone,

Interesting conversation again today. As mentioned already, I think we hear so much more about India and China because of the much larger (in numbers) BoP population and I believe those populations are frequently more dense than those generally found in Africa. So that makes a bit of an easier audience to approach in some regards.

Another very critical piece, again mentioned already, is the presence of a strong middle class. In the absence of that middle class, I think it is hard for the poor to build aspirations that might lead them in an entrepreneurial direction. I would also imagine that those who achieved middle class status from poor roots are more likely to pursue social enterprise ideas to help their original communities.

I'm not sure where I fall in the debate on the role of government. In some African countries I think small BoP businesses are better off if they can stay under the government radar. It's easier to stay out of a web of corruption, power politics, and other pressures that might divert the original intent. As I mentioned on Day 1 of this forum, I don't think a BoP business needs to scale bigger than a single community to achieve success. I guess that raises a new question - does the business need to be in the formal economy for success? In many places the time and expense of registering a business would prevent a formal SME - perhaps those are opportunities for MNCs. However, I have also heard stories of government involvement to really leverage impact too. For example in South Africa there have been multiple public-private partnerships to provide critical services to the poor such hospitals. Like so much in the BoP, I think the government's role is going to be very different based on the specific local context.

The cultural question is an interesting one as well. I think we all acknowledge that this is a critical factor that needs consideration and local expertise to really grasp the situation. Related, I find it interesting that when discussing BoP business, we tend to refer to

the BoP community involved as "entrepreneurs" or having those qualities when really that may be a misnomer. I'm not convinced (nor do I have a way to really know) that they all have the desire to start and run a business. If they are doing it out of the necessity to have a diversified livelihood strategy, I don't think that we can just slap that label and the assumptions that go with it onto those people. In the West African town that I spent a couple years in, the most sought after job was being an attendant at the gas station. Everyone had their own little business to put food on the table, but that was not what they would have chosen to do if they had options.

Additionally, I think the cultural issues support the idea of bottom-up BoP ventures and social enterprises. Unless you are really from those communities, there will always be things that are misunderstood which could be detrimental to a business idea. A truly local partner is essential to any outsider trying to establish themselves in these communities. Even individuals from the same country and ethnic group, if they are from the upper class or another region may not understand the local culture at all. I'm actually living that experience at the moment as an East Coast American now grappling with the very different culture of the state of Utah. I could never presume to understand what the BoP wants in this community.

Thanks to everyone for their contributions. I'm enjoying the exchange greatly!

### **Post by Jianghua Zhou**

Hi Kristin,

Thank you for the comments. They make me think a lot. I would like to hear more of the public-private partnerships in South Africa. Days ago, one of my friends told me about the public-private partnerships in South Africa which were similar to Chinese ones. The world is flat, isn't it? If we can make these cases from different countries together...How amazing!

And I also like your comments on entrepreneur. Karnani(2007) criticized this idea of considering BoP as entrepreneurs, because even within the elite, not many could become entrepreneurs. How could we expect those poor with little skills and education to be entrepreneurs? In many cases if they can have good job opportunities they prefer working. I think some literatures held the assumption that if other income-improvement opportunities could not be created, the poor should be considered as entrepreneurs, and we needed to provide them with finance, and they would start their own business, etc. etc. But will this assumption necessarily hold? Shall we challenge it? What if the firms and the poor could work together to find an alternative, say, firms provide technology, supply chain support and business model, and the poor work within it? Will this benefit the poor more than simply considering farmers as entrepreneurs?

Well, what do you think?

Please keep on discussing. I enjoyed a lot!

### **Post by Kristin O'Planick**

For those interested in learning more about the South African public-private partnerships, here is a link to the final report from that initiative: <http://www.chemonics.com/projects/Finalreports/South%20Africa%20PPP.pdf>

I like the idea of the partnership between firms and the BoP community that Jianghua put forward - which is the concept upon which the BoP Protocol is based. But your articulation of this idea goes in a different direction than the Protocol, which co-creates a business with the local community, turning them into entrepreneurs and business partners. While I like the Protocol as an option within a portfolio of ways to approach the BoP, I don't think it addresses the issue of the people who don't prefer this method of engagement and just want a job or a product/service that adds value. Your thought is an interesting alternative approach. Does anyone have any examples of this?

One potential problem of recruiting BoP community members either as entrepreneurs or as workers is the expectation that they are willing to give up their diversified livelihood strategies. I imagine that after growing up with the need for several mechanisms to support their family that there would be strong resistance to relying solely upon one income source - even if it is a good one. Building that kind of confidence in a single job would take a serious leap of faith for a person who has the life experience of a single weather event as the line between feast and famine.

Another topic that I find interesting along cultural lines is the importance of social marketing at the BoP. It's a different game to try to launch a product in a place where traditional marketing has no legs. I've heard occasional stories of success with local "ambassadors" to promote products. I'm also curious to see if all the investigations into how to use the social networks like Facebook will produce any insights that could be extrapolated to BoP marketing. A bit of a random thought, I know.

### **Post by Jianghua Zhou**

Dear Kristin,

Thanks for the report of South Africa.

For those interested in partnership between firms and existing BoP model, please read Seelos and Mair (2007) "profitable business model and market creation in the context of deep poverty". I have this paper but don't know how to add attachment, sorry. I think you can download this paper from the database of ABI Proquest. Or, just drop me an email, I can send it via email.

Social network is a good idea. But I'm afraid such website as Facebook or Twitter are too much for the poor. Simple community-tailored network-based platform might be better.

Update: The document can be found here:

[http://www.microlinks.org/ev.php?ID=39834\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev.php?ID=39834_201&ID2=DO_TOPIC)

You can also view this document in the Resources section of

[www.microlinks.org/sc/bop](http://www.microlinks.org/sc/bop)

### **Post by Cheng Xiaopeng**

Glad to hear from everyone's comments!

I think businesses do not want to commit to social embeddness unless they find it worthy. One thing makes them feel that it is worthy is the scalability of the business model they developed. It may be hard for a company to build strong relationship with local communities at first but should it ever succeed it gains knowledge in this process which is valuable for duplicate its businesses in other communities that share the same culture. It is easier for the benefit of scalability to cover the cost of social embeddness if there is a larger culture related area.

In China an identical culture and value system was shared in a large population and area. However since the culture and value system is so different to western there is still a huge gap. This may explain why BoP ventures have expectations in China but few of them have made their moves yet: it is just so much easier to do it in India now. Of course political circumstances have influence to this as well, as many of us here have pointed out and discussed. However I think the expectations of foreign BoP ventures to China are more likely to be based on geographical and culture considerations.

### **Post by Bhushan Shah**

Hello All,

Greetings to all. This is Bhushan from Nepal. Here is a small pyramid perspective on the theme for the final day. I wanted to post this yesterday but could not do so due to problems with my internet connection. So here it is a... day late.

Most MNC-driven BOP initiatives at present seem mainly focused on the larger and relatively better performing economies. The prominence of China and India in our discussions is probably reflective of this. The smaller and chronically economically stagnant countries, many of which are also conflict-afflicted obviously are not of much interest to MNCs. The exception, of course, is the case of MNCs and extractive industries. As such, there are few private sector led BOP offers/ initiatives in most parts of Asia and Africa. Hence, the question of these countries being less receptive to BOP ventures does not arise. In such country contexts, one would need to look to the handful of local conglomerates and SMEs for BOP enterprise development. This may be too much to expect. Furthermore, many developing countries suffer from poor governance and are ruled by governments with populist/socialist agendas. There also many barriers and disincentives to entrepreneurship in these countries. Hence, I would venture to say that prospects for private sector led BOP enterprise development look rather bleak in most developing countries.

However, this is not to say that BOP type initiatives are not being pursued in developing countries. Although not explicitly labeled as pro-poor enterprise development is a priority of most developing country governments - if not in deed, then at least on paper. Many international development agencies and INGOs/NGOs support initiatives for Value Chain Development, Cluster Development and Local Economic Development targeting the poor. Interventions in microfinance, SME finance and improvement of the business environment also aim to foster entrepreneurship for poverty reduction. However, many of these well-intentioned initiatives are seen as projects - not business opportunities - pushed by government and donors. Greater business involvement and commercial investments in such activities will create lasting economic and social impacts. But from what I've seen so far, buy-in from the private sector into such initiatives remains rather low.

I also find it interesting to compare the BOP approach with Pro-poor Value Chain development, an area I've had some involvement. BOP ventures often feature MNCs operating in foreign markets to provide market based products and services to disadvantaged communities. Presumably, the idea is to create a positive impact on MNC bottom lines as well as address important BPO segment needs. On the other hand, many Value Chain initiatives are designed to integrate poor farmers and small producers into attractive high value global markets, often in the home markets of MNCs.

My reading is that for BOP enterprise development to be attractive to commercial entities, the target market has to be a certain size and most offer something to investor. A supportive eco system is also required. Unfortunately, these criteria are not met in many of the smaller developing countries. Hence, a MNC led BOP enterprise development model will not be feasible in such cases. We will need to adapt successful examples and look for alternative strategies. Maybe, this explains the increasing popularity of social entrepreneurship.

Thanks to Monica and the CSGE team for facilitating this discussion. Thank you also to all the participants for the sharing.

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## **DAY 3: SUMMARY**

### **Post by Monica Touesnard**

Today's discussion invited dialogue pertaining to the cultural, political, and geographical limitations of BoP enterprise development, paying specific attention to the question of why certain regions of the world appear to be more receptive to business development within communities at the Base of the Pyramid. Take, for example, the high degree of BoP initiatives present in India relative to China, Africa, or South America. What, then, is the bundle of conditions - be them geographical, political, or cultural - that forecast viable BoP enterprise development?

A point made regarding the prevalence of BoP enterprise in certain areas of the world over others was that lack of presence of an initiative was confused with lack of knowledge of an initiative. With respect to China, in particular, the concept of Base of the Pyramid had not surfaced as a topic of research until 2007 and, subsequently, was not viewed in the context of business opportunity. Although sustainable development initiatives are present in China, their existence has not formally been recognized under the watchword of "BoP" for lack of public knowledge or dissemination.

The most common factor found to impact the proliferation of BoP development throughout the world, explaining its success in certain areas and its absence in others, is, not surprisingly, the political and economic condition of the states in which they operate. Mozambique was raised in one example, citing the presence until very recently of a socialist government and a centralized economy acting as a possible impediment to BoP enterprise involvement. Contrast this with India, home to a large number of impoverished and malnourished communities as well as a rapidly increasing middle class. It was suggested that without a substantial middle class with which to anchor a country's economy, there can't exist any tangible entrepreneurial spirit to drive proactive initiatives. Moreover, the presence of a spiritual tradition upholding Indian values for community service was also mentioned as reason for such strong enterprise initiative resonance therein.

Indeed, the cultural element present in work at the BoP is essential to the success of ventures operating inside its space. Citing the case of Desportivo Brazil, the BoP venture flourished for its remarkable role as a unique social enterprise dedicated to something at

the core of the country's identity: soccer. Furthermore, it was conferred that an enterprise's respect for and ability to synergistically intertwine the culture of the community they are working in feeds into the idea of Tuesday's mentioning of Bottom-Up BoP. Bottom-Up BoP, we recall, is recognized as enterprise rooted in social need and is mission driven, whereby it is believed that the presence of local needs will breed self-sufficiency. Initiatives that are more pliable to a country's cultural topography, therefore, are at increased odds to achieve acceptance and success.

The discussion placed equal attention, however, as mentioned above, on the role of the state in determining the presence and success of BoP initiatives. Are state-based limitations to blame for a country's lack of sustainable enterprise? Furthermore, are the strong politically driven economies, like those frequently found in emerging markets, beneficial or detrimental to the initiation and scalability of BoP initiatives? Certainly, we find that the political environment in which BoP development occurs has a profound impact on the success of an initiative; political constraints and moreover political turmoil can create market volatility and economic turmoil unsuitable for business startup. On the other hand, the Indian and Brazilian concepts of "jugaad," and "jeitinho brasileiro," respectively, point to creativity as the *raison d'être* of successful BoP enterprise establishment. Burdensome constraints, political or otherwise, sometimes necessitate and therefore instigate abundant initiatives.

It was noted that the role/presence of a state's government or political regime has a profound impact on the potential and accessibility of BoP enterprise. India and China, areas that have been more successful in their BoP-work presence, may have more suitable "enabling environments." Furthermore, the presence of significant economies of scale in India and China are conducive to more profitable and scalable BoP initiatives. However, within politically "weak" environments, deficiencies in civic rites or infrastructure may provide firms with niche-market opportunities: should they provide a product or service with the potential to overcome the shortfall or inadequacy, they will be met with the potential to build a sustainable business model. This notion was referenced to the phenomenon of "institutional entrepreneurship," as coined by Professor Johanna Mair of IESE Business School. It is an opportunity for BoP ventures, MNC's, and SME's, to overcome the institutional deficiency with an entrepreneurial solution. Additionally, a strong central government - one that is potentially disinclined to incentivize or enable BoP activity - sometimes can alleviate some social problems such as access to clean water. But it was also noted that the burden should not be placed entirely on the private sector; it is, in fact, the job of a country's government to play a dominant role in public and social service.

With these thoughts in mind we have come to the conclusion of our three-day foray into the intricacies and conundrums of the BoP sphere. The questions posed gave pause to rich dialogue, establishing key insights and segueing into, we hope, a continued investigation into the nuances of the BoP space we so ardently seek to understand. The forum will remain open for the next day for any final thoughts or comments. In addition, we will follow up with a brief survey requesting your feedback.

Thank you all for your contributions and enthusiasm in this event!

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