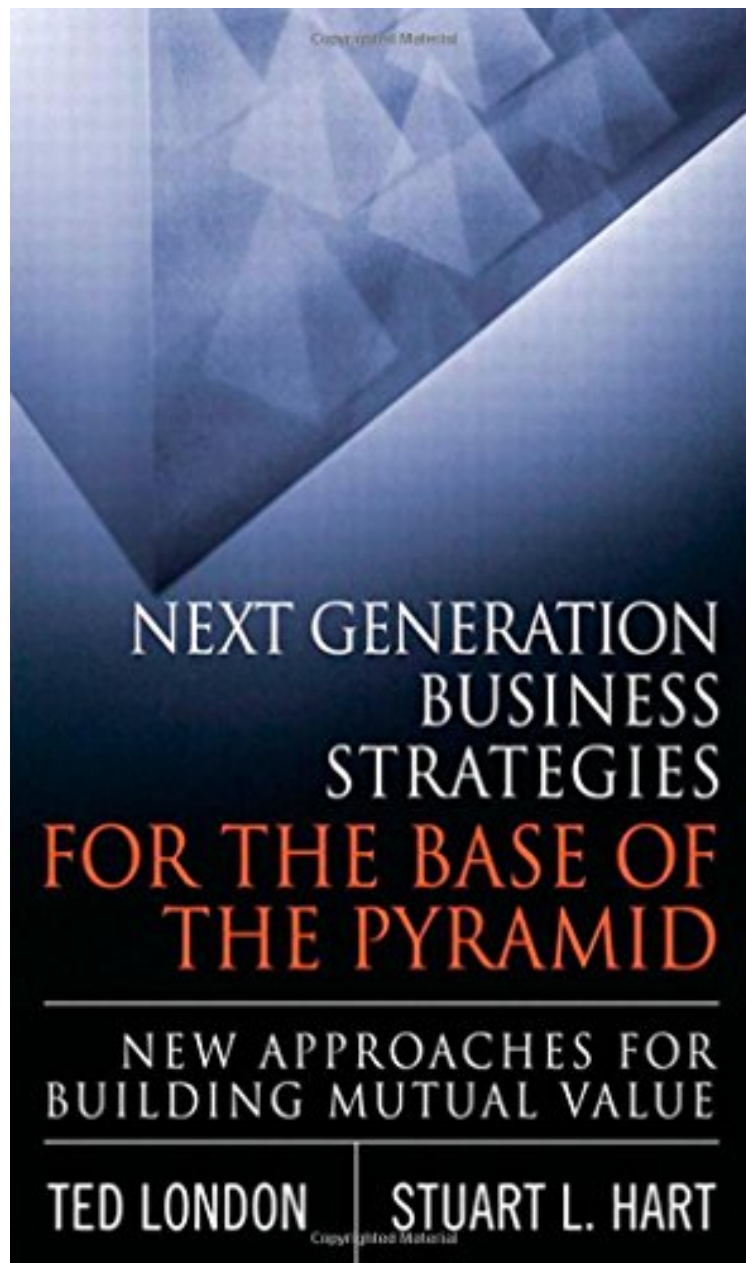


(Ebook free) Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value

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Ted London, Stuart L. Hart

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Ted London, Stuart L. Hart : Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value

before purchasing it in order to gauge whether or not it would be worth my time, and all praised Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value:

0 of 0 people found the following review helpful. good book to create a new global societyBy a.ykOur society is filled with solutions, however not all solutions are enjoyed universally. The most interesting part of the book is the idea of market/society co-creation. For long some of us think that the ToP are forgetting the BoP, it turns out, the ways in which they could interact together was not well established, yet. This book provides some of it. I hope you could learn more than I do from it. best, 5 of 6 people found the following review helpful. BOP needs more than market thinkingBy CustomerKudos to you both and other authors for writing a ground breaking book clarifying many early misconceptions about BOP. Your collective effort will be enormously valuable to those who are very passionate about solving key challenges for BOP. I hope that your research and book will have even more impact. I recommend your book to anyone interested in building BOP solutions. In fact, I am already planning to recommend it to organizations (Indians For Collective Action, Pallium-India-USA, ICA Social Entrepreneurship) where I chair or advise. Though I have gained immensely from your book, I found many critical gaps based on my working experience with BOP world. I am hoping that you will review this unique perspective as it does require rather different dialog with some of the players described in the book. It is possible that some issues may require further study and I am willing to assist you in the process should it be desired. Finally, I hope that you will cover them in next revision, if you agree that they are genuine gaps. Before people starts thinking of building BOP empire, to be entrepreneurs needs to be aware additional traps not covered in this book. I rate this book 5 star in spite of pointed gaps in my review below, as I don't see these gaps in the book but rather gaps that needs further attention. The most interesting chapter for me was Chapter 3, "Taking the Green Leap to the Base of Pyramid", where author gives a sharp contrast to two shades of green technology approaches - "Green Giant" vs "Green Sprout". Author makes an argument that is very fresh and thinks that Green Sprout approach started from BoP can eventually improve model for the ToP, as well. Chapter 3 describes debate a rather visionary argument based on frontal assault borrowed from military dictionary. Primary thesis as I see is that this new assault can be started by incubating sustainable technology at the poverty at the base. The Green Leap: Entrepreneurial Judo is likely to succeed when there is a critical mass is created before this innovative approach can work. Though intention is very noble, I would like to highlight that examples like LifeSprings, Ecotact, WHI, D.light are still not scalable enough and approaches described in the book for example Patient Capital are not necessarily going to yield any better results. My suspicion is based on my following factors -1. People Participation: Remember history of great social entrepreneurship is there but still limited. Two best examples that I can give from my childhood progressive home state of Gujarat, India are SEWA and NDDDB. Self Employed Women's Association (SEWA) is a membership-based organization of the poor self-employed women workers. These 1.3 million trade union members work in the informal sector of the economy and do not have a fixed employer-employee relationship. SEWA's main goal is to organize the women worker's for full employment and self reliance. NDDDB empowered millions of small marginal farmers through village dairy cooperatives. These models have shown that unless people are participative in overall solutions in income generation, it cannot be a sustainable solution. These and Grameen examples in Bangladesh have demonstrated such a successful social enterprise model. However, they have also shown that they are very complex and messy, takes many years to build and they are not easy to replicate. 2. Incubation and Patient Capital: I applaud concept of patient capital but there are few issues that author needs to further review. This struggle is a first struggle needs to be own up by developing countries before you replace Green Giant approach with Green Sprout for TOP. To do that unless you enable them in right way, you will never be successful. Look at the example that have been given in the book. Most examples in the book have been lead by a foreign social entrepreneurs, list of authors and even 100 attendees at CSR conference. Though, I applaud and congratulate their role in building vision and early solutions, I believe that critical mass cannot be created until we have startup culture ready to transform social leaders ready to create 100s of successful social startups partnering with each other and sharing knowledge with each other rather than current competing culture. This battle ultimately belongs to a land where there are such radical problems. The ultimate factories should come from there. Patient Capital are making same mistakes that Foundations made forever. Foundations either spent enormous amount of money by working with distant NGOs and spent large amount of donor's money by implementing costly social impact frameworks to demonstrate NGO success stories or relied heavily on well known horses like Barefoot, Grameen or SEWA. However, remember both founders and these large NGOs are notorious when came to sharing knowledge outside and transparency. The way Chapter 2 describes Patient Capital, I think that they would be making the same mistake as foundations did with their precious money. They are ultimately working on creating discrete social startups which are incapable of cooperating between each. Until Gandhiji demonstrated exploitation by British Raj to Indian people and involved them in their struggle, independence movement didn't start. Until Egyptians rose up or their rights, Mumbarak regime was very happy with long status quo in Middle East. Rather than betting on successful social startups, Patient Capitals should be channeling their limited dollars by creating open, cooperative and shared models, so that 100s of other startups can emulate right models. Their focus should be to strengthen many fledgling local

incubators like some I met during my recent visit to Gujarat, India. These incubators are rather not strong but they do understand following factors better than anyone else. Ultimate goal is to create a strong working models in key areas like low tech healthcare, public healthcare distribution, sustainable energy and let local progressive government come and eventually fund sustainable research for their own human index improvement. These cooperative incubators with the help of Patient Capital should be transparent enough that anyone can take knowledge globally. My point is that Patient Capital has limited dollars and if they continue with their current path, they would be making enormous mistake, as they are not every good at understanding important socio-cultural factors such as following.

a) Social Startup culture: Though it is important that next generation scalable solution come from the Indian, African and Chinese entrepreneurs as they have most at stake many culture are not innovation centric. This will require a radical thinking by those incubators about how to transform current culture into a culture of social enterprise.

b) Global Locations: I am happy to see emergence of Acumen, E+Co, New Ventures, Root Capital and TechnoServe, However, I am highly suspicious about their ability to drive real impact until they move their HQ to India and/or Africa and change their approach like I have described above. They will completely miss out importance of mentorship without fully understanding public health or developing issues for poor. I really don't think that they can rely on building satellites in those countries, as my recent trip to India confirmed a massive skill gaps in management and many other area, a critical role (even more than seed funding) that Patient Capital should be providing. I happen to believe many of these country do have a capacity to raise the fund but there is no way they can manufacture skill necessary to succeed.

c) Value Chain: Product scalability for BOP is still in nascent stage. In my humble opinion many of the examples described in the book may scale up to certain level but they are unlikely to reach critical mass or killer application similar to mobile applications. I recommend building series of working models that can demonstrate a working value chain like we have seen in many existing products in TOP. For any incubator to succeed, it needs various key elements and demonstrate that a complete value chain works between product vendor and product consumers. These factors are access to right size capital, access to variably of consumer patterns for product input, and distribution network and BOP funding for a product purchase. BOP thought leaders and practice leaders like you should be first proposing a working models that can succeed with following unique characters.

a. Example 1: Distribution Network and Access to BOP Product Purchase Exists: Though most of the BOP is unorganized and do not have a well defined market, I do believe that there are few rare examples where market is already there. For example SEWA already has more than 200000 women requiring smokeless chula or every family needing solar lanterns, and need for replacing current diesel tech with alternative energy for salt workers. Though, examples of SEWA/NDDDB/Grameen are rare they do exist. Hence, I suggest working with these organizations to demonstrate a successful iterative process and shared process between product vendors and co-ops who manages their own funding and distribution.

b. Example 2: Above doesn't exist: I believe most other product falls into this category where product vendors do not have a direct access to existing market that SEWA, NDDDB, and Grameen can provide. I have seen few examples that is trying to build a complete product life cycle like D-REV, KickStart and Villgro. Thought with an exception of Villgro, first two are based in US. I happen to believe that people groomed in western culture, studied in Ivy League, and successful career in corporate world, cannot build effective solution that BOP really needs, unless they personally move their HQ in one of those counties. Building a working scalable model should be a top priority and I believe that no one can do better job than Patient Capital . Before they sprinkle their precious dollars, I hope that they rethink their priority.

d) Participative Model for Government: In developing countries like India, ultimate rollout of scalable approach must involve leadership of local government. Though there are many challenges to this including inefficient and corrupt governance, this entity must become a box in a in your Green Leap: Entrepreneurial Judo as ultimately they are responsible to show improved human index. That said developing country governments have tried to implement many top-down solutions without much success. Social entrepreneurs role should be to demonstrate enough large scale impact that government feels obliged to act upon. I do believe water example follows this and you have already covered it appropriately in your book.

e) Bet on right solutions: Developing fund in this area are still very limited and it would be rather big mistake if you don't take stand for a right solution and let market figure out as suggested in the book. Let me explain why! Why should emerging market and especially poor people relearn what is already painfully learnt by west. For example, fast food have created a massive healthcare challenge here in US. In fact, developing world has already fallen into this trap. Ask anyone in rural village, what happens when man receives excess cash. Go to any of these village and you will see rampant alcoholism, unstoppable tobacco consumption created by irresponsible Gutka marketing and women abuse as night settles. You will be wrong to say let market sort that out. Social entrepreneurs not only have a responsibility to build a sustainable solution but they should also think about how BOP culture will transform. For that matter, I believe that solution that focuses on income generation should be a top priority. For example agriculture education gap is even higher priority from agriculture market creation. If you have read through this, I feel happy that I succeeded in demonstrating views and my time for this rather unusual long response was well spent. I look forward to having further discussion or assisting anyone who considers themselves in a same boat. Please feel free to contact me directly at usheth@gmail.com. Once again congratulations for a rather extraordinary book.

0 of 0 people found the following review helpful. Five Stars
By Carmel Jackoby
Thought provoking

about the huge market segment, we might not have any insight into. Very insightful.

During the last decade, first-generation "Base of the Pyramid" (BoP) ventures focused primarily on "finding a fortune at the BoP" by selling existing goods to and sourcing familiar products from the world's four billion poorest people. Many of these initiatives did not scale, and some failed outright. But through that experience, crucial lessons have been learned. Innovators are now succeeding--thanks to a more sophisticated and nuanced approach based on "creating a fortune with the BoP." In this book, co-editors Ted London, Stuart L. Hart, and other leading BoP thought and practice leaders show how to apply these second-generation BoP innovations, techniques, and business models. You'll learn how to build successful business ventures, create sustainable business ecosystems, design new technologies with the BoP in mind, and even transform entire sectors through collaborative entrepreneurship. Key lessons to be learned include:

- Roadmaps for Success
- A roadmap for venture development
- Patient capital and innovation for the BoP
- Strategic Opportunities
- The "Green Leap" and the BoP
- Turning BoP needs into markets
- Effective Implementation
- Understanding the BoP at the micro level
- Reframing design for the BoP
- Scaling up BoP ventures

From the Back Cover "Anyone interested in the challenges and opportunities faced by the low-income people must read this well-researched book. At a time when intellectual discourse on this important topic is urgently needed, London's and Hart's book combines a wealth of experience in the corporate setting with a deep understanding of economics. Needless to say, we are in the midst of multiple global crises threatening the well-being of all. This book is an attempt to give capitalism new strategies for responding to those crises." --Muhammad Yunus, Head of Grameen

"This book demonstrates that the most socially useful business models to serve the Base of the Pyramid are those which are created for the market they seek to serve, incorporating appropriate green technologies and innovation-oriented strategies in venture development. Such ventures can go on to achieve the higher purpose of BoP businesses: poverty alleviation." --Ratan Tata, CEO, Tata Industries

"More than a decade ago, C.K. Prahalad and others first opened our eyes to the huge opportunities inherent in Base of the Pyramid markets. This book captures the thinking of the last 10 years and confirms that those opportunities are greater than ever. As such, it is a fitting tribute to Prahalad and his fellow pioneers--and an essential read for anyone wishing to understand and capitalize upon the real potential of BoP marketplaces." --Paul Polman, Chief Executive, Unilever

"A crucial and most creative re-framing of the BoP debate: The authors look at the world's poor not just as four billion more consumers, but also as a source of talented entrepreneurs--potential business partners ready to enter the formal economy to put their assets to work and lift themselves, and their countries, out of poverty." --Hernando de Soto, Institute for Liberty and Democracy

"The Base of the Pyramid is a big breakthrough idea that risked being captured as the new conventional wisdom. This clever book by scholars and practitioners averts that by taking the deeply original insight to the next stage. A fitting tribute to C.K. Prahalad." --Lord Mark Malloch-Brown, Former Administrator, United Nations Development Programme

"Ted London's and Stuart Hart's insightful book explores with a fresh lens the challenges facing the economies and communities of the BoP, and offers long-term solutions based on joint value-creation rather than 'fortune-seeking.' Today's businesses must engage with these communities on a deeper level, to ensure equal understanding of the culture's needs, how to educate BoP business owners, and to uncover ways to move forward--with sustainability as a top priority. This book makes an invaluable contribution to that end." --Fisk Johnson, CEO, S.C. Johnson

About the Author Ted London, co-editor, is a Senior Research Fellow at the William Davidson Institute (WDI) and a member of the faculty at the University of Michigan's Ross School of Business. At WDI, he directs the Base of the Pyramid Initiative, a program that champions innovative ways of thinking about more inclusive forms of capitalism. At the Ross School, he lectures on the opportunities and challenges inherent in developing new business models to serve BoP markets. An internationally recognized expert on the intersection of business strategy and poverty alleviation, London focuses his research on designing enterprise strategies and poverty-alleviation approaches for low-income markets, developing capabilities for new market entry, building cross-sector collaborations, and assessing the poverty-reduction outcomes of business ventures. His numerous articles, chapters, reports, and cases emphasize creating new knowledge with actionable implications. His article, *Making Better Investments at the Base of the Pyramid*, (Harvard Business Review, 2009), for example, offers a pioneering perspective on listening to the voices of the world's poor to enhance mutual value creation. Over the past two decades, London has also directed and advised dozens of leadership teams in the corporate, non-profit, and development sectors on designing and implementing market-based strategies in low-income markets. Prior to his arrival at the University of Michigan, London served on the faculty at the University of North Carolina, where he also received his Ph.D. in strategic management. Before that, he held senior management positions in the private, non-profit, and development sectors in Africa, Asia, and the U.S.

Stuart L. Hart, co-editor, is the Samuel C. Johnson Chair in Sustainable Global Enterprise and Professor of Management at Cornell University's Johnson School of Management. He also serves as Distinguished Fellow at the William Davidson Institute (University of Michigan) and is Founder and President of Enterprise for a Sustainable World. Hart is one of the world's top authorities on the implications of environment and poverty for business strategy. He has published more than 70 papers and authored or edited seven books with over 5,000 Google Scholar citations in all. His article *Beyond Greening*:

Strategies for a Sustainable World won the McKinsey Award for Best Article in the Harvard Business Review for 1997 and helped launch the movement for corporate sustainability. With C.K. Prahalad, Hart also wrote the path-breaking 2002 article The Fortune at the Bottom of the Pyramid, which provided the first articulation of how business could profitably serve the needs of the four billion poor in the developing world. His best-selling book, Capitalism at the Crossroads, published in 2005, was selected by Cambridge University as one of the top 50 books on sustainability of all time; the third edition of the book was published in 2010. Excerpt. Reprinted by permission. All rights reserved.

Next Generation Strategies for the Base of the Pyramid Businesses: Foreword Y.C. Deveshwar Chairman ITC Limited, India A few weeks ago, when Stuart Hart and Ted London asked me to write the foreword for this book, I must confess that I was of two minds. I am familiar with their work and have great regard for their talent and intent. But ever since The Fortune at the Bottom of the Pyramid was published, there has been a deluge of conferences, debates, and discussion papers on the subject of the base of the pyramid (BoP). It seemed that everything that could be discussed about the subjects theoretical underpinnings as well as about the handful of corporate examples that characterized this approach was already in the public domain. I was therefore hesitant in adding some more print to this effort. As I read through the manuscript of this book though, I sensed a welcome change in approach. Far from merely examining opportunities to make a fortune at the base of the pyramid, Hart and London and their co-authors had collaborated to highlight the need to create fortunes for and with the base of the pyramid. This fresh approach was significantly aligned with our own efforts at ITC, over a decade and a half, to co-create sustainable and inclusive societies through innovative business models. A Triple Bottom Line approach that has enabled ITC to help create sustainable livelihoods for more than 5 million people, a corporation that is carbon positive, water positive, and waste recycling positive, and a top ranking economic value creator in the Indian economy. It is because of this compatibility between ITCs perspective and the broad ideas presented in this book that I am happy to contribute these introductory thoughts, and to support the efforts of Hart, London, and their co-authors in providing thought leadership in an area of immense importance to societies globally. It has taken more than a century of material wealth creation to realize that the economic model pursued by the world for so many years is terribly inadequate in creating equitable and inclusive societies. In the last 50 years alone, world GDP has multiplied 60 times. Yet, two-thirds of the world lives in poverty, with more than a billion people in acute deprivation and hunger. UNDP reports have estimated that the top 10 percent own 85 percent of household assets, while the bottom 50 percent own just 1 percent of these assets. Other estimates suggest that the top 10 percent account for 65 percent of worlds consumption while the bottom 50 percent consume just 2.5 percent. This disparity is indeed a serious threat to the progress of mankind. It is also a source of social unrest across the world, creating a dangerously vulnerable society. Unstable societies make economic progress unsustainable, and we can only ignore this basic economic fact at our considerable peril. A century of economic progress also took place with significant apathy toward the need to conserve and replenish the earths precious natural resources and living systems. In the last half-century alone, the world lost one-fourth of its top soil, one-third of forest resources, more than one-third of global bio-diversity, and witnessed the extinction of many species. Continuing degradation of land, forest, and water resources progressively undermines precious life-support systems, leading to the phenomena that we witness today in global warming, and consequent droughts and floods. Todays inhabitants of the planet inherited a 4 billion-year-stock of natural capital. In less than a century, in the name of material progress, this natural capital has been ravaged. As a result, we have an unenviable global ecological footprint that will demand the equivalent of resources of two earths to support an anticipated global population of 9 billion by the mid 2030s. We cannot afford this luxury as we have only one planet to live together, or perish together. These threats underscore the undeniable fact that economic development and sustainable development are not necessarily the same thing. Nor is sustainable development only about creating green economies. Progress and development is also about creating sustainable and inclusive societies. Economic growth models must therefore sub-serve a larger need to create greater societal value, and not material wealth alone. That, in turn, requires a far larger focus on the creation of sustainable livelihoods. Given the magnitude of this task on a global scale, this is indeed a formidable challenge for economies around the world today. The 4 billion people who constitute the base of the pyramid are, by definition, among the poorest in the world. An overwhelming majority of this population live in developing or low-income countries. Predominantly living off the land, they are also the most vulnerable to problems arising out of environmental degradation, including climate change. In the best of circumstances, they are served by inefficient and fragile market systems. At worst, they are at the mercy of exploitation by market intermediaries. Either way, they are trapped in a vicious cycle of poverty. An approach that views this disadvantaged population only as a market for low-cost, low-value products and services contributes precious little to improving their lives or their future. It only implies a race to the bottom to garner a small share of a deplorably small wallet. A more enduring and meaningful approach lies in co-creating new economic opportunities that empower them and build their capacity to earn meaningful livelihoods in essence, increasing the size of their wallets, and integrating them into the economic mainstream. It is this creation of a fortune with and for the base of the pyramid that will ensure a secure and sustainable future for our planet. The question is: Can business play a meaningful role in catalyzing this process of sustainable and inclusive development? I firmly believe that it can. Private enterprises, through their operations, have a large number of touch-points in society

that constitute the front line of engagement with civil society. Their physical presence in communities around their catchments gives them an opportunity to directly engage in synergistic business activities that can create sustainable livelihoods and add to preservation of natural capital. In the years ahead, moreover, growing civil society awareness and tougher regulations will compel businesses to adopt sustainable business practices that not only deliver unique customer value propositions, but also enable a twin impact: ensuring a positive environmental footprint and creating sustainable livelihoods. It is my deep conviction that both the competitiveness and profitability of firms in the future will increasingly depend on their relative ability to adopt such sustainable business practices. Corporations of the future will have to innovate strategies to deliver high levels of triple bottom line performance. Their capability to do so will not only define the sustainable corporations of tomorrow, but also create the foundations of a more secure society for future generations. Our experience at ITC convinces us that it is eminently possible to create larger societal value with business innovations that foster an inclusive and sustainable future. At the heart of ITCs innovative strategies lies the creation of unique business models that synergize long-term shareholder value growth with that of enhancing societal capital. These business models are supplemented by community-based CSR projects that enhance the quality of life of people in rural India. A much-celebrated example is that of ITCs e-Choupal, described in this book as well. Leveraging the power of Internet and digital technology, ITCs e-Choupal has today become an internationally recognized model of rural transformation, benefiting more than 4 million farmers. By providing farmers with a rich repertoire of agri-based interventions, it not only addresses the core needs of farmers in terms of infrastructure, connectivity, price discovery, and market access, but also provides a significant boost to farm productivity through customized best practices in sustainable agriculture. This has helped transform villages into vibrant economic communities by raising incomes and co-creating markets. Similarly, a strategy to source pulp from renewable plantations, in spite of the availability of cheaper imports, has led to the creation of livelihood opportunities for thousands of poor tribals and marginal farmers. An intensive RD programme in ITC developed high-yielding, disease-resistant clonal saplings which are today grown by farmerseven on wastelands providing a huge green cover through forests on nearly 110,000 hectares. In the process, it has created 48 million persondays of employment opportunities. These innovative business models have not only enhanced the competitiveness of the businesses, but have simultaneously created immense value for rural communities. The deep engagement of e-Choupals with rural communities has also enabled ITC to contribute to the creation of sustainable livelihoods by building community assets. ITCs Integrated Watershed Development initiative has helped create freshwater potential covering over 54,000 hectares in water-stressed areas. In addition, the companys integrated animal husbandry services have reached out to more than 400,000 milch animals, creating avenues for non-farm based livelihoods. More than 200,000 children in rural India have received supplementary education, and more than 20,000 women entrepreneurs have been created through approximately a thousand self-help groups. In addition, several partnerships with state governments have also been formed, to deliver quality projects of high social value through intensive public-private-people partnerships. I firmly believe that innovation in corporate strategies and an abiding vision to serve a larger societal purpose can significantly transform the future and mitigate many of the sustainability threats discussed earlier. New entrepreneurs, as well as progressive companies, have a great opportunity today to contribute meaningfully to building a secure and sustainable future. So far, open innovation models have synergized the efforts of internal resources, supply chain participants, and even customers to co-create new products and services. To my mind, the need of the hour today is to encourage innovation in corporate strategies and business models that will enable companies to co-create, with local communities, opportunities for sustainable livelihoods, as well as enrichment of natural capital. At the same time, societyincluding customers, investors, and media need to be made more aware of the tremendous change they can bring about by encouraging a preference for responsible companies. Innovations will be required to devise a rating system that can provide credible information to civil society to enable them to make an informed choice. Such innovations will spur the creation of a market for responsible and sustainable practices. It will also make sustainability a value proposition that companies will embed in their offerings to society. That will go a long way in creating a sustainable economy for future generations and a secure planet that will continue to nurture and nourish the billions of its inhabitants. I do hope that future innovation will awaken the world to such a promising tomorrow. I want to compliment the distinguished authors of this book, once again, for collaborating to find engaging solutions that can build new hopes for the many in the base of the pyramid. I also join you in paying my tribute to the late C.K. Prahalad, who helped begin the journey. My very best wishes in this endeavor. Y.C. Deveshwar September 2010 Copyright Pearson Education. All rights reserved.