

# **BA612 – BUSINESS STRATEGIES FOR THE BASE OF THE PYRAMID**

## **Course Syllabus – Fall B 2007**

**Tuesday-Thursday, 12:40-2:10pm**  
**Three Friday Sessions (Nov. 16, Nov. 30 & Dec. 7), 9am-noon**  
**Room E1530**

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### **Course Overview**

The condition of the world's poor, those at the base of the pyramid (BoP), is the subject of growing attention. Global poverty is seen as both an unacceptable outcome of the current economic system and a challenge to commerce and security in wealthier nations. Indeed, the uneven distribution of benefits from globalization has led to increasing interest in new market-based approaches to poverty alleviation. Given the unique business context, however, private sector firms, entrepreneurs, and non-profit organizations have struggled to formulate effective business strategies for BoP markets. Furthermore, development agencies are facing greater scrutiny as to the effectiveness and sustainability of their current poverty alleviation programs.

Yet the intersection of two drivers—the growing interest in exploring new poverty alleviation perspectives and the increasing appreciation of a larger role for market-based ventures in serving the needs of the poor—offers the potential for a new approach. The emerging BoP perspective aligns business-oriented incentives for growth, innovation, and profits with the development community's efforts to create a more inclusive capitalism. In fact, the relationship between profits and poverty alleviation in pursuit of mutual value creation is a central component of the BoP perspective.

Private sector firms are continually searching for new business opportunities. Facing saturated markets with limited growth potential and a highly competitive business landscape, firms must broaden their search both for new markets to increase revenues and for new sources of supply to reduce costs. This has led to greater attention on opportunities in emerging markets that are further down the economic pyramid. Serving base-of-the-pyramid markets, however, will involve radical innovations in business models and technology development approaches.

Moreover, non-profit and other socially-oriented organizations working at the base of the pyramid are increasingly using business strategies to generate excess revenues to achieve societal goals. While this approach has much potential, adopting this course of action also presents unique risks to these organizations. They face a gap in required skills and capabilities,

potential resistance from an organizational culture not comfortable generating profits from those they seek to serve, and the possibility of “mission drift.” By no means unique to the non-profit sector, these challenges require managers to demonstrate imagination, vision, leadership, and the ability to craft fundamentally new business models.

Indeed, the challenges of creating a more inclusive capitalism are substantial, but so are the potential returns. Co-creating new business ventures with those at the base of the pyramid will require a different map and set of navigational tools than those afforded by conventional models of organizational strategy and existing approaches to poverty alleviation. The convergence of business strategy and poverty alleviation, however, offers a unique strategic opportunity to create profitable ventures, while simultaneously raising the quality of life of four billion people.

To explore these issues, this course integrates concepts of strategy, international business, non-profit management, and poverty alleviation to stimulate the leadership skills and competitive imagination needed to design BoP ventures. Through a combination of cases, readings, lectures, videos, and outside guests, class sessions will engage students in discussions aimed at: 1) identifying the opportunities associated with a new perspective on serving BoP markets; and 2) developing the strategies, business models, and partnerships required to productively explore those opportunities.

### **Course Materials**

A coursepack containing the required readings and cases is available.

The following three books are recommended as supplemental reading:

de Soto, Hernando. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Book.

Hart, Stuart L. 2005. *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*. Upper Saddle River, NJ: Wharton School Publishing.

Prahalad, C.K. 2004. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*. Upper Saddle River, NJ: Wharton School Publishing.

### **Office Hours**

Meeting with students is a high priority for me, and I would be delighted to meet with you about any aspect of the class or to discuss base of the pyramid topics in general. My office hours are by appointment. Please feel free to send an email or see me after class to arrange a time to meet. Ordinarily, afternoons are better for me.

## Course Requirements

Three components of the class will be used in determining the final grade. These are **class participation (40%)**, **two real-time case assessments (10% each)** and a **group project (40%)**.

### Class participation (40%)

Class participation is a key factor in the success of the course. Attending all class sessions is essential. While class attendance is crucial, extensive individual preparation and a willingness to share knowledge and perspectives will also be expected. Because this course primarily uses the case method, it is crucial that you carefully review and analyze the assigned readings before class, consider the discussion questions, and actively participate in the dialogue. I expect you to be prepared for class and may call on you to start the discussion or to address a specific issue.

Given that this course will include a mix of students with varying levels of international experiences and different educational backgrounds, mutual learning will be an important objective. Early in the class, student teams will be formed to facilitate case preparation and discussion during the course. Effective participation in these teams will be an important aspect of class participation.

Please note that I do not use a “count” system for evaluating class participation. The thoughtfulness and depth of your comments matter more than the number of times that you speak. Good class participation includes analyzing, commenting, questioning, discussing, and building on others’ contributions. Good class participation is *not* repeating the facts from a case or article, monopolizing air time, or ignoring the contributions of others.

If for some reason you must miss a class, please let me know in advance, in writing (an email is fine), so that your absence will not be unexplained. Furthermore, to account for your class participation grade for that session as well as to ensure you are up-to-date with the course material, please submit your responses to the discussion questions associated with the readings. These summaries should be approximately one page per discussion question (double-spaced) and must be emailed to me prior to the beginning of the next class session. Please do not collaborate or discuss your responses with others.

### Real-time case assessments (10% each)

Each team will be asked to submit a five-page (double-spaced), real-time case assessment for both of the three-hour class sessions (Friday, Nov. 16 and Friday, November 30) with our guest speakers. These assessments should address the discussion questions for each of these sessions. These questions are real-time challenges faced by our guests and were generated by them for this class with the specific intention of getting your input.

In preparing your responses, you should not go over the five-page limit (note: you may also include up to two exhibits that do not count toward the page limit). You need to clearly summarize your recommendations as well as the logic behind your responses. All team members are expected to be actively involved in developing the responses; the assessment

should capture the aggregate thinking of the entire team. Only the names of the team members who actively participated in this assignment should be listed on the assessment.

The assessments are due by midnight on Thursday, prior to our class session the next day. Late papers will not be accepted. In grading these recommendations, I am not looking for the one “right answer.” Rather, the goal is to make sure you have thought through the questions in depth, have used the appropriate tools and frameworks to address the issues at hand, and have developed a consistent and logical argument. Thus, the focus is on applying tools and concepts in the course to a complex real-time BoP business situation.

Based on the goal of enhancing our in-class experience, the case write-ups will be graded according to a simple system of ‘check,’ ‘check minus,’ and ‘check plus.’ Most write-ups will receive a grade of ‘check,’ indicating that the assessment has satisfied by the criteria listed above and should lead to a good discussion. In some cases, a ‘check plus’ grade will be awarded when the write-up is exceptionally good. A ‘check minus’ grade will be given when the write up is substantially less than the norm that is expected for this assignment.

#### Group project (40 %)

Each team will be asked to prepare a base of the pyramid (BoP) venture assessment and presentation. This assessment should focus on one venture and involve analyzing its overall strategy. Each team is responsible for identifying the venture they will be assessing. These should be business-oriented initiatives targeting the base of the pyramid. The organization launching a venture, however, need not be a for-profit entity. BoP-oriented initiatives developed by MNCs, host country companies, start-up businesses, non-profit organizations, and community groups are all appropriate for this assignment.

As a first step, each team should choose a BoP venture and submit a one-page synopsis on or before November 15<sup>th</sup>. This synopsis should include both a summary of the venture and an initial listing of the resources you plan to use to conduct your assessment. I would prefer to avoid having the same initiative examined by two teams and will work out any overlap with the teams involved. Typically, overlaps are resolved based on a first-come, first-serve basis.

If you have difficulty finding a venture, there are many resources to assist you. I would be delighted to discuss ventures with you, as would other interested faculty and students.

In documenting and analyzing their venture’s strategy, each team should consider using a variety of sources of publicly available information as well as phone or e-mail contacts, where appropriate, with venture managers. Be creative! You should document your sources of information in the final report, so that other students, BoP-minded colleagues, or I can build on your work in the future. You should not use, read, or refer to assessments developed for this class in prior years.

While collecting information will play a substantial role in your analysis, the goal is not to simply report the facts that you have found. Rather, I also want to see you *critically evaluate* the venture, including its strategy, business model, sources of competitive advantage, economic performance, and poverty alleviation outcomes, and to *draw conclusions and make*

*recommendations* concerning the business strategy and poverty alleviation implications. This is an opportunity to apply the lessons and frameworks we have discussed in class.

I will provide a handout with additional details for conducting the venture analysis, which we will discuss in class.

Results from this assessment will be summarized both in a written and oral form. General guidelines for the written paper are as follows: 14-18 pages (not including exhibits), double-spaced, 12 pitch type, normal margins. The oral report will take the form of an in-class presentation. Each team will be given approximately 15 minutes for the presentation and follow-on Q&A.

The presentations of the case assessments are scheduled for Thursday, December 6<sup>th</sup> and Friday, December 7<sup>th</sup>. The paper is due on the final day of class (Tuesday, December 11<sup>th</sup>).

### **Honor Code**

Personal integrity and professionalism are fundamental values of the Ross School community. To help ensure that these values are upheld and to maintain equitability in the evaluation of your work, this course will be conducted in strict conformity with the new Academic Honor Code. (See <http://www.bus.umich.edu/Academics/Resources/communityvalues.htm> for the code and related procedures. Claimed ignorance of this information is irrelevant should a violation take place.) Please note that the code requires that you report any violation by one of your classmates. Also, recall that the code requires proper citations of work that is not your own.

Please be aware that for team assignments, no collaboration or communication is allowed between teams.

### **Services for Students with Disability Statement**

If you think you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of the course, the assignments, the in-class activities, and the way I teach may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat information you provide as private and confidential.

## Summary Outline

### Part I: Setting the Stage

#### Tuesday, October 30: Introduction and Course Logistics

**Readings:** “Serving the poor, profitably” (Prahalad & Hammond)  
“The ideology of development” (Easterly)  
“The next four billion (executive summary)” (WRI)  
“Emerging market strategy” (London & Hart)

#### Discussion Question:

- What is the base of the pyramid?
- Can and should the private sector play a role in alleviating poverty at the BoP?

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#### Thursday, November 1: Challenges and Opportunities at the Base of the Pyramid

**Reading:** “Development as freedom” (Chapter 1, “The Perspective of Freedom”) (Sen)  
“Helping the world’s poor” (Sachs)

**Case:** W.R. Grace Co. and the Neemix Patent (A)

#### Discussion Questions:

- Should Grace’s patent on Neemix stand?
- What is “biopiracy?” Is Grace guilty of practicing it?
- Could Grace have avoided these problems with a different strategy?

### Part II: Business Strategies for the Base of the Pyramid: The Corporate Opportunity

#### Tuesday, November 6: Business Strategy I

**Reading:** “The fortune at the bottom of the pyramid” (Prahalad & Hart)  
“Mystery of Capital” (pp. 1-37, 251-254) (DeSoto)

**Case:** Hindustan Lever at the Base of the Pyramid: Growth for the 21<sup>st</sup> Century

#### Discussion Questions:

- What were Nirma’s secrets to success at the BoP?
- Why is HLL pursuing Shakti?
- Is Shakti successful?
- From the perspective of those at the BoP, what are the impacts of Shakti’s activities on poverty alleviation?

- What metrics can Shakti use to measure its impacts?
  - What could Shakti do to enhance its poverty alleviation impacts?
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### **Thursday, November 8: Business Strategy II**

**Reading:** “Rethinking marketing programs for emerging markets” (Dawar & Chattopadhyay)  
“Rural development” (pp. 190-209) (Chambers)

**Case:** Expanding the Playing Field: Nike’s World Shoe Project (A)

#### **Discussion Questions:**

- What should Tom Hartge recommend to senior management regarding the World Shoe?
  - What are the appropriate sales and profit goals for the World Shoe?
  - What business model would be most appropriate and effective?
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### **Tuesday, November 13: Business Strategy III**

*Guest Speaker: Stuart Hart, S.C. Johnson Chair of Sustainable Global Enterprise and Professor of Management at Cornell University*

**Reading:** “Reinventing strategies for emerging markets” (London & Hart)

**Review:** “Strategic Initiatives at the BoP: A Protocol for Mutual Value Creation” (Simanis, Hart, et al.)

**Optional:** CEMEX’s Patrimonio Hoy: At the Tipping Point?

#### **Discussion Questions:**

- What are the core components of social embeddedness? How are these different from traditional business strategy?
  - What did you find were the most unique and interesting aspects of the BoP Protocol? Why?
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### **Thursday, November 15: Business Strategy IV**

#### *BoP Venture Selection Due*

**Reading:** “Partnerships for learning” (London & Rondinelli)

**Optional:** “The great leap: Driving innovation from the BoP” (Hart & Christensen)

**Case:** The Mountain Institute's Building Blocks

**Discussion Questions:**

- Why is TMI interested in pursuing an income generating venture at the BoP?
  - Is there a business opportunity to provide low cost, environmentally sustainable housing in the developing world?
  - What strategy should TMI pursue?
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**Friday, November 16 (9am-noon; 3 hour session): A Market-Based Approach to Poverty Alleviation**

*Guest Speaker: David McGuire, Vice President and Director, Academy for Educational Development's Center for Private Sector Health Initiatives; Director of NetMark*

**Reading:** "More money than sense" (The Economist)  
"Distribution of Nets Splits Malaria Fighters" (NY Times)  
AED's technology development/transfer project (To be handled out in class)

**Case:** AED's Netmark project (descriptive case)

**Discussion Questions:**

- Read the NY Times article, "Distribution of Nets Splits Malaria Fighters," and write an op-ed response (1,000-1,200 words). In your op-ed, identify the key issues and consider your response from the perspectives of the commercial, development & public (government) sectors.
- This op-ed is due by midnight on Thursday, Nov. 15<sup>th</sup>
- Email to David McGuire ([dmcguire@aed.org](mailto:dmcguire@aed.org)) and me ([tlondon@umich.edu](mailto:tlondon@umich.edu))

**Part III: Business Strategies for the Base of the Pyramid: The Development Opportunity**

**Tuesday, November 20: BoP as a Poverty Alleviation Perspective**

**Readings:** "Aid is not the answer" (Prahalad)  
"Base-of-the-pyramid perspective on poverty alleviation" (London)  
"The end of poverty" (Chapters 11 & 15) (Sachs)

**Case:** Connecting the Rural Poor to the World: Grameen's Village Phone in Bangladesh

**Discussion Questions:**

- What are the roles of the private sector, non-profits, and development agencies in poverty alleviation and development?
  - In which ways is Village Phone successful? What are the keys to its success? Are there opportunities for improvement?
  - Can Grameen's model be replicated in other countries?
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## **Tuesday, November 27: Mutual Value Creation**

**Reading:** “Improving the lives of the poor? Assessing the impacts of base-of-the-pyramid ventures” (London)  
“Africa’s world of forced labor, in a 6-year-old’s eyes” (LaFraniere)

**Case:** Scojo Foundation: A Vision for Growth at the Base of the Pyramid

### **Discussion Questions:**

- What are the key issues that Scojo should consider in exploring how best to scale in India? What are your recommendations to Scojo regarding these issues?
  - What are the impacts of Scojo’s current enterprise approaches on poverty alleviation?
  - What could Scojo do to enhance its local poverty alleviation impacts?
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## **Thursday, November 29: Making Money with the Poor: The BoP as Producers**

**Case:** Global seeds to village farmers: Hearing the voices at the BoP

### **Discussion Questions:**

- What are the constraints that farmers face at the BoP?
  - From the perspective of a BoP farmer, what are the advantages and limitations of DuPont’s Hi-Bred seed venture?
  - What else could be done to create more value for local farmers? Is this a business opportunity?
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## **Friday, November 30 (9am-noon; 3 hour session): The Role of the Intermediary**

*Guest Speaker: Brian Trelstad, Chief Investment Officer, Acumen Fund*

**Reading:** “The Base of the Pyramid Perspective and the Social Enterprise Methodology: Understanding the Facilitating Role for Development Agencies.” (Executive Summary) (London, Janiga & Valente)  
“A fresh approach; what’s wrong with profits” (Strom)

**Case:** Acumen Fund: How to Make the Greatest Impact

### **Discussion Questions: Memo to Acumen about Donor Proposal (1,500 words plus exhibits)**

- Background: What are the different roles that an intermediary organizations like Acumen can play in facilitating the development of successful BoP ventures? Why are these efforts needed?
- Analysis: What are the advantages and disadvantages for Acumen of the different approaches the organization is contemplating?

- Recommendation: What activities should Acumen prioritize with new donor funds and why?
- This op-ed is due by midnight on Thursday, Nov. 29<sup>th</sup>
- Email to Brian Telstad ([btrelstad@acumenfund.org](mailto:btrelstad@acumenfund.org)) and me ([tlondon@umich.edu](mailto:tlondon@umich.edu))

<b>Part IV: Going Forward: Making the Case</b>
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**Tuesday, December 4: Rethinking Organizations**

**Reading:** “The utopian nightmare” (Easterly)

**Case:** CARE USA: Making Markets Work for the Poor

**Discussion Questions:**

- Why would CARE want to pursue a strategy for developing revenue generating enterprises (RGEs)? What skills and assets can CARE leverage?
- What are the biggest challenges the organization faces in institutionalizing this strategy?
- Should CARE pursue this? If so, what recommendations would you give CARE for implementing an RGE strategy? If not, why?

**Thursday, December 6:**

**Presentations: BoP Venture Assessments**

**Friday, December 7 (9am-noon; 3 hour session):**

**Presentations: BoP Venture Assessments (con’t)**

**Tuesday, December 11: Summary and Conclusions**

*Group Project Due*

**Reading:** “Which World” (pp. 3-12 & 22-25) (Hammond)  
 “Combating terrorism: A socio-economic strategy” (Byrd)

**Discussion:**

- Wrap-up; Moving forward/staying involved; New research; Evaluations

## Reading List – BA612 Business Strategies for the Base of the Pyramid

### Cases

W.R. Grace Co. and the Neemix Patent (A) (UVA-E-0157) (Severance, Spiro & Ruffin, 1997, Darden Case Collection)

Hindustan Lever at the Base of the Pyramid: Growth for the 21<sup>st</sup> Century (Vakil & London, 2005, University of Michigan/William Davidson Institute Case)

Expanding the Playing Field: Nike's World Shoe Project (A) (McDonald, London & Hart, 2002, World Resources Institute)

CEMEX's Patrimonio Hoy: At the Tipping Point? (London & Kotek, 2005, University of Michigan/William Davidson Institute Case)

Connecting the Rural Poor to the World: Grameen's Village Phone in Bangladesh (London & Garg, 2005, University of Michigan/William Davidson Institute Case)

The Mountain Institute's Building Blocks (Buffington & London, 2004, University of Michigan/William Davidson Institute Case)

Scojo Foundation: A Vision for Growth at the Base of the Pyramid (Christiansen & London, 2006, University of Michigan/WDI Case)

Acumen Fund: How to Make the Greatest Impact (Lee & London, 2006, University of Michigan/William Davidson Institute Case)

CARE: Making Markets Work for the Poor (Reyes & London, 2006, University of Michigan/William Davidson Institute Case)

### Readings

Prahalad, C.K. and Hammond, A. 2002. "Serving the world's poor, profitably."  
**Harvard Business Review**, September: 48-57 (reprint #R0209C).

Easterly, W. 2007. The ideology of development. *Foreign Policy*, Jul/Aug(161): 31-35.

Hammond, A. L., Kramer, W. J., Katz, R. S., Tran, J. T., and Walker, C. 2007. *The Next Four Billion: Market Size and Business Strategy at the Base of the Pyramid*. Washington, DC: World Resources Institute and International Finance Corporation.

London, T. and Hart, S. 2006. "Emerging market strategy," **World Business**, October: 88.

- Sen, A. 1999. "The perspective of freedom." In: Amartya Sen, **Development as Freedom**, New York: First Anchor Books.
- Sachs, J. 1999. "Helping the world's poor." **The Economist**, 14 August: 17-20.
- Prahalad, C.K. and Hart, S. 2002. "The fortune at the bottom of the pyramid." **Strategy+Business**, 26: 55-67 (reprint #02106)
- de Soto, Hernando. 2000. **The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else**. New York: Basic Book.
- Dawar, N. and Chattopadhyay, A. 2002. "Rethinking marketing programs for emerging markets." **Long Range Planning**, 35 (5): 457-474.
- Chambers, R. 1983. "Practical action." In: Robert Chambers: **Rural Development: Putting the First Last**, Essex: Addison-Wesley Longman.
- London, T. and Hart, S. 2004. "Reinventing strategies for emerging markets: Beyond the transnational model." **Journal of International Business Studies**, 35 (5): 350-370.
- Simanis, E., Hart, S., Enk, G., Duke, D., Gordon, M., and Lippert, A. 2004. **Base of the Pyramid Protocol**. Ithaca, NY: Cornell University, Working Paper.
- Prahalad, C. K. 2005. "Aid is not the answer." **The Wall Street Journal**, 31 August.
- London, T. 2007. "A base-of-the-pyramid perspective on poverty alleviation." **Working Paper**.
- Sachs, J. D. 2005. **The End of Poverty: Economic Possibilities for Our Time**. New York: Penguin Press.
2007. More money than sense, **The Economist**, July 7: 63.
- London, T. and Rondonelli, D. 2003. "Partnerships for learning: Managing tensions in nonprofit organizations' alliances with corporations." **Stanford Social Innovation Review**, 1 (3): 29-35.
- Hart, S. and Christensen, C. 2002. "The great leap: Driving innovation from the base of the pyramid." **Sloan Management Review**, Fall: 51-56 (reprint #4415).
- London, T. 2007. "Improving the lives of the poor? Assessing the impacts of base-of-the-pyramid ventures." **Working Paper**.

LaFraniere, Sharon. 2006. "Africa's world of forced labor, in a 6-year-old's eyes." **New York Times**, 29 October.

London, T., Anupindi, R., and Sheth, S. 2007. "A survey of BoP-as-producer ventures: What work?" **Working Paper**.\*\*

London, T., Janiga, K., and Valente, M. 2007. "The Base of the Pyramid Perspective and the Social Enterprise Methodology: Understanding the Facilitating Role for Development Agencies." US Agency for International Development.

Strom, Stephanie. 2006. "A fresh approach; what's wrong with profits." **New York Times**, 13 November.

Easterly, W. 2005. The utopian nightmare. *Foreign Policy*, 150(Sept/Oct): 58-64.

Hammond, A. 1998. **Which world? Scenarios for the 21<sup>st</sup> century**. Washington, D.C.: Island Press.

Byrd, M. W. 2006. "Combating terrorism: A socio-economic strategy." **Joint Force Quarterly**, 41: 15-19.

\*\*Will be handed out in class