

**Kellogg School of Management  
Northwestern University**

**SEEK 956-0:  
Social Entrepreneurship in the Developing World**

**Course Syllabus  
Winter Quarter 2009**

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**Office Hours**  
Wednesday 11:00 am – noon or by appointment

## **COURSE CONCEPT AND GOALS**

Around four billion people in developing countries currently lack access to a wide range of goods and services. Companies usually consider the low purchasing power of poor people and difficulty to reach them as prohibitive for business. However, examples of innovative enterprises around the world show that businesses can engage in markets at the “bottom of the economic pyramid” (BoP) while combining business *and* social objectives.

This class equips future managers and entrepreneurs with frameworks to understand different approaches to and objectives of social entrepreneurship applied to the BoP in developing countries. We will assess and analyze the market potential targeting poor and low-income customers, and explore both success factors and limitations of doing business at the BoP. The class offers tools to solve relevant market and non-market issues. Innovations in products, processes and business models will be at the core of the discussion. The class also draws from case studies on supply chain and distribution management and strategic partnerships between companies and non-profit or public entities.

The course consists of three parts:

Part I: Understanding customers, entrepreneurs and markets at the Bottom of the Pyramid

Part II: Market and non-market approaches to doing business at the BoP

Part III: Social entrepreneurship: Beyond pure market and non-market approaches

In the first part, we explore how the concept of social entrepreneurship applies to developing country contexts. We examine the size and scope of the potential market for a wide range of consumer goods and services satisfying the demands of low-income customers in developing countries. An analysis of existing data and estimates shows the potential for business in a range of markets but also the inherent challenges in working in such resource-limited settings. Preferences and behavior of customers at the bottom of the pyramid are not fundamentally different from other people. However, the environments in which they live, their personal budget limitations, and market and non-market conditions in which they operate, influence the requirements that products, services and distribution channels need to fulfill in order to meet demand.

In the second part of the class, we investigate strategies to address market and non-market challenges in BoP markets. Comparing different types of firms and entrepreneurs through a series of cases, we study how the specifics of demand at the BoP guide the development of strategies and business models. Innovations in products, technologies and in the conduct of the business drive the outreach to the BoP customers. We also discuss how government policies and international aid agencies influence for-profits and how they operate themselves in BoP markets.

This analysis helps us to understand when partnerships with non-profits may be advisable. In fact, market and non-market strategies are not mutually exclusive, and

neither are market and non-market types of ventures. The third part of the course is dedicated to examining innovative partnerships and hybrids of for-profit and not-for-profit enterprises. It turns out that in many cases, such innovations are as needed as innovative products and technologies. The institutional form as for-profit or not-for-profit does not necessarily drive the mission of social entrepreneurs to reach the BoP market. Last but not least, people who live at the bottom of the economic pyramid are not just consumers. Recognizing their qualities as producers of goods and services is key to achieving both financial and social returns.

### **Who would benefit from this course?**

This course counts towards the following majors: social enterprise, international business, and entrepreneurship and innovation. All students interested in learning how economic conditions and trends in resource-limited settings influence business opportunities and strategies and how social and business goals can be combined, are equally welcome to join the class.

The class covers a range of business types, from adapting existing ventures to creating new enterprises, from large multinationals to small domestic players and innovative private/public and for-profit / non-profit partnerships. I therefore hope to have a mix of future managers and entrepreneurs, investors and advisors in the classroom.

### **Teaching approach**

Learning is based on practical experiences taught through a series of case studies drawn from countries around the world. In addition, selected guest speakers will present typical cases. This inductive way of teaching and learning reflects the early stage and rapid development of the field.

### **PREREQUISITES**

None

### **CLASS PREPARATION**

#### **Readings**

The course package is required, as is the textbook. For each session, there is a set of assigned readings, including chapters from the textbook and case studies. It is essential that you read these materials before class. I encourage you to discuss the readings with your fellow students to prepare for the class. I will ask students to summarize key points of interest from these texts.

The course website also lists optional reading and recommendations for those of you who want to deepen your knowledge on the topic.

Textbook:

Prahalad, C.K.: *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*, Upper Saddle River, NJ: Wharton School Publishing, 2005 (hardcover) or 2006 (paperback)

### **Homework**

Two homework assignments will be due and part of the final grade. They will help you review the lessons learnt in the previous sessions and prepare for the upcoming session. The first homework assignment is an individual project and will be due before the midterm. The second homework, due after the midterm, will be a group project.

### **Group Project**

This project will ask you to present a case of a particularly interesting venture at the bottom of the pyramid. Groups can either develop their own idea and a basic business plan or research an existing project and analyze its chances for success.

The draft project write-up is due on Thursday, March 5, at 8 pm, and the final should be submitted after receiving my comments, by Sunday, March 15, 2008. A guideline for writing the project brief will be distributed during class. Groups will be asked to briefly present their case in week 10. Groups should have between 3 and 5 members. Groups will be formed at the end of the first week of classes; self-selection is encouraged.

### **Class participation and cold-calling**

This class is about a rapidly changing and expanding field. Students are particularly encouraged to observe the field and search for new topics and trends and report back to the class. Constructive and critical discussion of the class materials and cases are a key to a meaningful learning experience for all. I will also from time to time cold-call students to ensure that all are following the discussions.

### **GRADING**

Grades will be based on a mid-term exam, the two sets of homework, and class participation. Class participation is particularly important in this experiential learning-based class. As working with fellow students is an integral part of the learning experience at Kellogg, the group homework assignment will form part of the final grade.

The final grade is composed as follows:

Individual homework	20%
Group project homework	30%
Mid-term exam	35%
Class participation	15%
<i>Final grade</i>	<i>100%</i>

### **INDEPENDENT STUDY PROJECTS, CASE STUDIES AND SUMMER INTERNSHIPS**

Researchers and practitioners rely and learn from experiences on the ground. As our knowledge of new and proven examples of successes – and potential failures – of social enterprises in developing countries increases, we can work with more and more concrete concepts and tools. Students who are interested in digging deeper into existing case material, collecting data for new case material or presenting their experiences from summer internships in BoP type firms or social enterprises, are encouraged to contact me.

### **KELLOGG HONOR CODE AND CLASS ETIQUETTE**

The Kellogg Honor Code applies. Students are also expected to adhere to Kellogg's Classroom Etiquette Policy. As a courtesy to fellow students and to me, please refrain from using laptop computers except when seated in the last row. When we have guest speakers, please renounce from using laptops at all. Please do not use personal digital assistants, iPods or cell phones during class.

### **COURSE WEBSITE**

The class' website will be available on Blackboard. Electronic copies of course materials, course package readings, lecture slides and homework assignments, will be available on Blackboard after class.

## COURSE OUTLINE AND READING LIST

### **Part I: Understanding Customers, Entrepreneurs and Markets at the Bottom of the Pyramid**

*Session 1: Tuesday, 6 January 2009*

#### **Introduction: The “Bottom of the Pyramid” – The Promise of a Market Opportunity for Social Entrepreneurs, Part I**

- “Vodacom’s Community Services Phone”: A case for entrepreneurial action
- Social entrepreneurs and the “Bottom of the pyramid”

#### **Reading:**

Martin, Roger L. and Sally Osberg, “Social Entrepreneurship: The Case For Definition”, *Stanford Social Innovation Review*, Spring 2007, pp. 29-39  
Prahalad, C.K., *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*, pp. 3-23 (hardcover and paperback)

#### **Case:**

Reck, Jennifer and Brad Wood, *What Works: Vodacom’s Community Services Phone. Providing Telecommunications to Poor Communities in South Africa*, Washington, DC: World Resources Institute What Works Case Study, August 2003 (excerpts)

*Session 2: Friday, 9 January 2009*

#### **Introduction: The “Bottom of the Pyramid” – The Promise of a Market Opportunity for Social Entrepreneurs, Part II**

- Compatibility of social and business objectives
- How much market: Servicing beneficiaries of aid or customers and entrepreneurs?

#### **Reading:**

Brugmann, Jeb and C. K. Prahalad, "Cocreating Business's New Social Compact" *Harvard Business Review*, February 2007

#### **Case:**

Frances X. Frei and Ricardo Reisen de Pinho, *Magazine Luiza: Building a Retail Model of “Courting the Poor”*, Harvard Business School Case, rev. December 2006

*Session 3: Tuesday, 13 January 2009*

**Demand and Market Information at the Bottom of the Pyramid, Part I**

- What consumer data do we have?
- Market characteristics in BoP markets

**Reading:**

Hammond, Allen L., William J. Kramer, Robert S. Katz, Julia T. Tran, and Courtland Walker: *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*. Washington DC: World Resources Institute, IFC, 2007, pp. 2-33

**Case:**

Prahalad, C.K., “Selling Health: HLL and the Soap Market” (hardcover version) or “From Hand to Mouth: The HLL Soap Story” (paperback version), in: *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*

*Session 4: Friday, 16 January 2009*

**Demand and Market Information at the Bottom of the Pyramid, Part II**

- Non-market characteristics in BoP markets
- Do non-market conditions require non-market solutions?

**Reading:**

Todaro, Michael P., and Stephen C. Smith, *Economic Development*, Ninth Edition, Boston: Pearson Addison Wesley, 2006, pp. 49-71

**Case:**

“Frank Davies comes to Madagascar”, in: Richard G. Linowes (ed.), *Portraits of Business Practices in Emerging Markets. Cases for Management Education, Volume 2*. Washington, DC, Institute of International Education and U.S. Agency for International Development, 1998, pp. 80-91

*Session 5: Tuesday, 20 January 2009*

**A Framework for Entrepreneurial Action at the BoP**

- The market development imperative
- Market-driven supply and social entrepreneurship in BoP markets
- Measuring performance of entrepreneurial action at the BoP

**Reading:**

Prahalad, C.K., *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*, pp. 47-62 (hardcover and paperback)

**Case:**

Austin, James E. and Cate Reavis, *Starbucks and Conservation International*, Harvard Business School Case, 2002

**Session 6: Friday, 23 January 2009****Normative Criteria for Social Entrepreneurship at the BoP**

- Miracle or mirage: Is the BoP approach the answer?
- Business ethics and the BoP markets
- A specific framework for the “lower half” of the BoP

**Reading:**

Karnani, Aneel, *Mirage at the Bottom of the Pyramid. How the private sector can help alleviate poverty*, William Davidson Institute Working Paper No. 835, August 2006

**Case:**

BRAC Bangladesh, in: Todaro, Michael P., and Stephen C. Smith, *Economic Development*, Ninth Edition, Boston: Pearson Addison Wesley, 2006, pp. 561-564

**Part II: Market and Non-market Approaches to Doing Business at the BoP****Session 7: Tuesday, 27 January 2009****Marketing for BoP Customers**

- Market research in subsistence markets
- Marketing strategies

**Reading:**

Viswanathan, Madhu, Srinivas Sridharan, and Robin Ritchie, “Marketing in Subsistence Marketplaces”, in: Wankel, Charles, *Alleviating Poverty through Business Strategy*, New York and Basingstoke: Palgrave Macmillan, 2008, pp. 209-223

**Case:**

Market Place Literacy

***Session 8: Friday, 30 January 2009***

**Developing the Competitive Advantage**

- Competitive assessment and strategy development
- System-wide changes in marketing and distribution

**Reading:**

Beshouri, Christopher P., “A grassroots approach to emerging-market consumers”, *The McKinsey Quarterly*, 2006 Number 4, pp. 61-71

**Case:**

Rangan, V. Kasturi and Rohithari Rajan, *Unilever in India: Hindustan Lever's Project Shakti--Marketing FMCG to the Rural Consumer*, Harvard Business School Case, February 2005

***Session 9: Tuesday, 3 February 2009***

**Innovating Products and Processes**

- Product strategies
- Co-creation: Product and technology innovations

**Reading:**

Christensen, Clayton M., Heiner Baumann, Rudy Ruggles, and Thomas M. Sadtler, “Disruptive Innovation for Social Change”, *Harvard Business Review*, December 2006

Prahalad, C.K., *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*, pp. 23-46 (hardcover and paperback)

**Case:**

Prahalad, C.K., “Jaipur Foot: Challenging Convention” (hardcover version) or “The Jaipur Foot Story” (paperback version), in: *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*

***Individual homework due on Friday, January 2, at 12 noon***

*Session 10: Friday, 6 February 2009*

**Adapting the Firm to Serve BoP Markets**

*Guest speaker: Greg Casagrande, Founder & Chairman of SPBD  
MicroFinance*

- Managing people: owners, boards and staff
- Strategic choices in organizational design

**Reading:**

Bornstein, David, “Six qualities of successful social entrepreneurs”, in: *How to Change the World. Social Entrepreneurs and the Power of New Ideas*, Oxford and New York: Oxford University Press, 2004, pp. 238-246  
Porter, Michael E., and Mark R. Kramer, “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility”, *Harvard Business Review*, February 2007

**Case:**

SPBD (South Pacific Business Development)

*Session 11: Tuesday, 10 February 2009*

**Reforming the Firm’s Environment**

- Systemwide reform
- Financing and partnership options

**Reading:**

Prahalad, C.K., *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*, pp. 63-72 (hardcover and paperback)

**Case:**

SPBD (South Pacific Business Development) continued

**Take-home midterm**

*Session 12: Friday, 13 February 2009*

**Connecting Local and Global Players**

- Using collaborative strength to overcome bottlenecks
- Microfranchising as a new partnership option

**Reading:**

Prahalad, C.K., *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*, pp. 47-62 (hardcover and paperback)

**Case:**

Jones Christensen, Lisa, "Using Microfranchising Models: Case Studies and a Critique", in: Wankel, Charles, *Alleviating Poverty through Business Strategy*, New York and Basingstoke: Palgrave Macmillan, 2008, pp. 149-170

**Session 13: Tuesday, 17 February 2009****Dealing with Government Policies and Regulations**

- Conflicting or compatible interests of private and public sector?
- The need for market infrastructure: strategies to engage government

**Reading:**

Prahalad, C.K., *The Fortune at the Bottom of the Pyramid. Eradicating Poverty Through Profits*, pp. 73-98 (hardcover and paperback)

**Case:**

Doing Business 2008 Report, Washington, DC, International Bank for Reconstruction and Development (excerpts)

**Session 14: Friday, 20 February 2009****Understanding International Agencies**

- The role of public aid agencies such as World Bank, WTO and UNDP
- Public policy approaches to private sector development

**Reading:**

Todaro, Michael P., and Stephen C. Smith, *Economic Development*, Ninth Edition, Boston: Pearson Addison Wesley, 2006, pp. 718-730

Wilson, Craig, and Peter Wilson, *Make Poverty Business. Increase Profits and Reduce Risks by Engaging with the Poor*, Sheffield: Greenleaf, 2006, pp. 105-116

**Case:**

UNDP Commission on the Private Sector and Development, *Unleashing Entrepreneurship: Making Business Work for the Poor*, New York: United Nations Development Programme, 2004, pp. 1-10, 37-42

### **Part III: Social Entrepreneurship: Beyond Pure Market and Non-market Approaches**

*Session 15: Tuesday, 24 February 2009*

*Guest speaker: Liz Wald, Founder of EDI*

#### **Working with Producers at the BoP, Part I**

- How do characteristics of micro and small entrepreneurs influence supply chain decisions?
- Social entrepreneurship and business start up – strategic choices and challenges

#### **Reading:**

Katz, Jan Hack, "Using Business to Create a More Vibrant Craft Sector", in: Wankel, Charles, *Alleviating Poverty through Business Strategy*, New York and Basingstoke: Palgrave Macmillan, 2008, pp. 171-190

#### **Case:**

EDIImports: Managing Threats to the Triple Bottom Line, Kellogg Case

***Group project paper draft due on Friday, 20 February 2009, at 10 pm***

*Session 16: Friday, 27 February 2009*

#### **Working with Producers at the BoP, Part II**

- How do characteristics of micro and small entrepreneurs influence distribution decisions?
- Social entrepreneurship, multinational corporations and microentrepreneurs – strategic choices and challenges

#### **Reading:**

Wilson, Craig, and Peter Wilson, *Make Poverty Business. Increase Profits and Reduce Risks by Engaging with the Poor*, Sheffield: Greenleaf, 2006, pp. 67-88

#### **Case:**

Grameen Danone, Grameen Phone

*Session 17: Tuesday, 3 March 2009*

*Guest speaker: Kara Palamountain, Executive Director, GHI*

**Hybrid Forms of Engaging in BoP Markets, Part I**

- Social entrepreneurs and partnerships with non-profits
- Specific considerations in the health care market

**Reading:**

Alter, Sutia Kim, “Social Enterprise Models and Their Mission and Money Relationships”, in Nicholls, Alex (ed.), *Social Entrepreneurship. New Models of Sustainable Social Change*, New York: Oxford University Press, 2006, pp. 205-233

**Case:**

Northwestern Global Health Initiative

*Session 18: Friday, 6 March 2009*

**Hybrid Forms of Engaging in BoP Markets, Part II**

- Social entrepreneurs and private-public partnerships
- Specific considerations in the water market

**Reading:**

Hutton, Guy, “Global costs of attaining the Millennium Development Goal for water supply and sanitation” in: *Bulletin of WHO*, Volume 86, Number 1, January 2008, pp. 1-80 (excerpts)

**Case:**

Water Health International

*Session 19: Tuesday, 10 March 2009*

**Group Project Presentations, Part I**

*Session 20: Friday, 13 March 2009*

**Group Project Presentations, Part II**