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Preface

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WE HAVE INDEED COME A LONG WAY since 1998 when, together with C.K. Prahalad, I first proposed that companies focus attention on serving the needs of the 4 billion poor at the bottom (base) of the pyramid (BoP).¹ Indeed, over the past decade, it has become apparent that the BoP offers both enormous opportunities and challenges for companies accustomed to serving only the wealthy at the top of the economic pyramid.²

Once companies recognised the BoP opportunity, many set their sights on achieving the price points needed to ‘penetrate’ the BoP with stripped-down versions of their existing products. To achieve this, wholesale changes in business models were required: local sourcing and production, extended distribution, single-serve

‘sachet’ packaging, microfinance, NGO partnerships, and a variety of other innovations. With early success stories such as Hindustan Lever paving the way, scores of companies, NGOs and multilaterals launched new BoP business initiatives aimed at serving the poor profitably.

Latin America has been particularly fertile ground for the emergence of BoP strategies. Professor Gardetti began the first BoP Learning Lab in South America (second in Latin America), dedicated to bringing corporate intrapreneurs, entrepreneurs, NGOs and financiers together to advance the theory and practice of BoP business.³ Today there are BoP Learning Labs in Mexico, Brazil and Venezuela, with two new labs starting in Colombia and Chile. The number of BoP business experiments has also mushroomed in Latin America. Indeed, the Inter-American Development Bank estimated that, by the end of 2007, there were in excess of

1 A working paper by the two of us entitled ‘Raising the Bottom of the Pyramid’ was first circulated in 1998. It took four years for it to be published as C.K. Prahalad and S. Hart, ‘The Fortune at the Bottom of the Pyramid’, *Strategy + Business* 26 (2002): 1-15.

2 Portions of this Preface are excerpted from Stuart Hart, ‘Taking the Green Leap’ (Working Paper; Ithaca, NY: Cornell University, 2010).

3 The first BoP Learning Lab was created in 2000 at the University of North Carolina and transferred to the Johnson School of Management in 2003 when I assumed my current position at Cornell University.

500 companies working at the BoP in the region.

This is indeed an exciting and positive trend. However, with any emergent phenomenon, innovations both solve problems, as well as create new ones. The BoP is no exception. As commercial momentum in the BoP has grown, new problems have now become apparent. In the quest to generate rapid sales and profits, for example, many companies have chosen to simply adapt environmentally unsustainable products and services to sell in the BoP 'mass market'. Left unchecked, this path leads to environmental oblivion: the prospect of 6.7 billion people consuming like Americans is clearly unsustainable.⁴

Serving the BoP sustainably thus requires leapfrog innovation—the incubation of the green technologies and industries of tomorrow. Indeed, new technologies, including renewable energy, distributed generation, biomaterials, point-of-use water purification, wireless information technology, sustainable agriculture and nanotechnology, hold the keys to solving many of the world's environmental challenges. Learning to close the environmental loop at the base of the income pyramid is thus one of the key strategic challenges—and opportunities—facing companies pursuing the BoP in the coming decade.⁵

Given the scale of the problems—and opportunities—in the BoP, increasing business activity in this space has also spawned growing concern that such strategies are nothing more than the latest form of corporate imperialism: veiled efforts to profit by selling extractive products to the poor.⁶ The importance of 'becoming indigenous' has, as a result, taken on added significance. Our work over the past

several years to develop and implement a Base of the Pyramid Protocol has been, we hope, an important response to this challenge.⁷ In the years ahead, strategy co-development with local partners and the creation of mutual value with those in the BoP must become the watchword if a more inclusive form of global capitalism is to flourish. To avoid becoming the latest poster child of corporate imperialism, it is therefore crucial that BoP strategies be embedded—co-created with those living in the BoP communities themselves.⁸

Even with the growing momentum behind BoP business development, a multitude of small experiments may not have the level of global impact required to move us expeditiously toward a more sustainable world. Indeed, accelerating and scaling BoP strategies requires additional action at three levels: enterprise, ecosystem and public policy. For companies, both established and start-up, a key to scaling BoP enterprises is creating the organisational 'white space' to enable such ventures to develop and prosper. Traditional metrics and timelines for evaluating new products do not apply to incubating new ventures at the base of the pyramid. It takes time and patient capital to develop businesses that are embedded and have 'community pull'.

Another important avenue for scaling BoP business is to nurture and develop ecosystems of entrepreneurs, universities, financiers and government partners able to catalyse new business development and encourage spreading of the strategy. Accordingly, Cornell's Center for Sustainable Global Enterprise launched the Global Forum on Sustainable Enterprise in 2009. The Global Forum brings together the leading intrapreneurs, entrepreneurs, change agents and financiers from around

4 Tom Friedman, *Hot, Flat, and Crowded* (New York: Farrar, Straus & Giroux, 2009).

5 For further discussion, see Stuart L. Hart, *Capitalism at the Crossroads* (Upper Saddle River, NJ: Wharton School Publishing, 2010).

6 For a good summary of this argument, see Aneel Karnani, 'Misfortune at the Bottom of the Pyramid', *Greener Management International* 51 (June 2007).

7 See Erik Simanis and Stuart Hart, 'The Base of the Pyramid Protocol: Toward Next Generation BoP Strategy', Cornell University: Center for Sustainable Global Enterprise, 2008; www.bop-protocol.org (accessed 20 April 2010).

8 Erik Simanis and Stuart Hart, 'Innovation from the Inside Out', *Sloan Management Review*, Summer 2009: 77-86.

the world to accelerate the rate of disruptive innovation for sustainability at the BoP. The inaugural Global Forum was held in New York City, 1–3 June 2009. Nearly 100 of the world's leading practitioners at the forefront of sustainable BoP strategies participated as delegates.

In addition, with initial sponsorship from the William Davidson Institute at the University of Michigan, we launched the Green Leap Global Initiative in 2008. With an initial focus on China, the initiative is dedicated to launching BoP business experiments aimed at the commercialisation of leapfrog green technologies. The commercialisation experiments provide the empirical (on-the-ground) platform for scholars to pursue action research on the topic, and practitioners to derive strategy guidance for sustainable BoP commercialisation around the world.

Finally, innovation in public policy could greatly accelerate disruptive—and sustainable—innovation from the BoP. Above and beyond the perverse incentives for fossil fuels and other unsustainable practices that pervade the developed world, there is also a clear bias in favour of large-scale solutions. Indeed, throughout the world, distributed solutions are discriminated against, in favour of centralised solutions. In India, for example,

distributed solar is hampered by a massive kerosene subsidy for the rural poor, while purchasers of solar equipment must pay a steep sales tax. In the US, point-of-use solutions for safe drinking water are blocked by the legal requirement that drinking water be 'clean' (as defined by regulators) when it enters buildings. New policies that 'level the playing field' for distributed clean technology solutions would thus help enormously, especially in the developing world where the majority of the population remains underserved.

Governments could also create seed funds to catalyse investment in BoP business experiments throughout the world. Such a policy would be especially important in the rich countries where few green technology entrepreneurs look beyond their own borders for commercialisation opportunities. Indeed, if you believe that green technologies will form the basis for entirely new industries in the coming decades, it is incumbent on developed-world governments to create incentives for their technologists and entrepreneurs to get on the ground at the base of the pyramid where these innovations will happen first.

