

Base of the Pyramid Summit:

Shaping an Action Agenda



Ted London
Sasha Dichter
Jim Koch
Madhu Viswanathan
Prashant Yadav

Sateen Sheth
Stuart Hart
Thane Kreiner
Filippo Veglio

Javier Ayala
Chris Jochnick
Radha Muthiah
Simon Winter



William Davidson Institute
AT THE UNIVERSITY OF MICHIGAN



© 2014 *The William Davidson Institute.*

Authored by Ted London, Sateen Sheth, Javier Ayala, Sasha Dichter, Stuart Hart, Chris Jochnick, Jim Koch, Thane Kreiner, Radha Muthiah, Madhu Viswanathan, Filippo Veglio, Simon Winter, and Prashant Yadav

We would like to thank our financial sponsor, The Sasakawa Peace Foundation, for their very generous support.



Executive Summary

For the base of the pyramid (BoP) domain, it is a time for a refresh.



While we have made progress in understanding what is necessary to build successful BoP enterprises, we must recognize that we still have much further to go. Many roadblocks continue to exist which limit BoP enterprise sustainability, scalability, and success. Challenges arise from the nature of the market ecosystem in which ventures operate, limited access to appropriate resources, and the need for well-articulated assessment of social impact. The existence of varied business models and strategies also makes the understanding of potential success factors even more difficult.

Indeed, we have achieved some success, but we must seek to do better. This was the over-arching theme of the BoP Summit organized and hosted by the William Davidson Institute at the University of Michigan in October 2013.

With a goal of better connecting the BoP community to help move the domain forward, the Base of the Pyramid Institute at the William Davidson Institute (WDI BoP) organized and hosted the *BoP Summit 2013: Creating an Action Agenda for the Next Decade* on October 21-23, 2013 at Ross Business School at the University of Michigan. The BoP Summit brought together a diverse set of over 200 BoP leaders from 24 countries. The Summit was specifically designed to stimulate dialog and provide a venue for rich conversation and honest feedback on relevant topics for the domain. Participants took stock of the current BoP domain, identified success factors and on-going challenges, and explored how challenges could be overcome.

Central to the action agenda at the Summit was the work of nine working groups focused on assessed specific topics related to the BoP domain. These working groups, which were led and facilitated by a Summit Leadership Team (SLT) of well-respected thought leaders, met over the course of the Summit with the goal of summarizing important issues and proposing critical next steps for each key topic area. At the end of the Summit, members of the working groups presented recommendations to the entire audience to identify areas of overlap and opportunities for partnership. This report outlines the key findings of the working groups, including presenting challenges, opportunities, and recommendations to strengthen the BoP community.



The working groups identified, in particular, several critical gaps currently existing in the BoP domain. These include the lack of existing platforms to share best practices and generate new knowledge about the domain as a whole, especially with regard to how to successfully scale BoP enterprises, choose appropriate models, communicate social impact, identify potential partners and resources, and attract and retain the right talent.

In order to address these gaps more fully, many working groups discussed the need for both stronger partnerships with and deeper understanding of the BoP. Deeper relationships with and among local

partners would also aid in the defining and standardization of social performance metrics, another issue on which Summit participants agreed would benefit from greater collaboration and integration. BoP ventures require different goals and metrics for growth than traditional ventures but our understanding of what those measurements is limited. A greater understanding of this space would allow BoP ventures to more effectively design models for scale and communicate their value to investors and partners to obtain the necessary support and resources to scale.

The working groups also identified several major opportunities to enhance BoP enterprise development and improve the domain's overall effectiveness. These opportunities included moving more BoP pilots to sustainable, scalable enterprises, creating a more robust ecosystem of partners that supports BoP enterprise development, understanding and enhancing BoP enterprise social impact, and developing a cohesive and globally-connected BoP training and knowledge network.

The ideas generated from the Summit became critical components in the creation of a roadmap presenting a prioritized set of initiatives for enhancing the future development of BoP domain. This roadmap, which offers actionable recommendations to push the domain forward, is captured in a companion report entitled *"A Roadmap for the Base of the Pyramid Domain: Re-Energizing for the Next Decade."*

Beyond the specific lessons learned, the Summit also highlighted the need for greater collaboration and interaction amongst the BoP community. In the past, BoP ventures and their partners have been unable or unwilling to share their mistakes and lessons learned. This practice has limited the opportunities to learn from past experiences. Participants strongly emphasized that the domain can progress fastest and further if the BoP community commits to more honest and in-depth conversations about both our strengths and our weaknesses. The BoP Summit served as one effort to fortify the BoP community, foster meaningful discussion on these issues, and offer some insight into a way forward for the domain.

Introduction



Much has changed over the last decade as business and market-based approaches are now increasingly seen as part of the solution to global poverty. The BoP domain, which describes the range of business models that engage the poorest members of society, has shown tremendous potential to generate scalable enterprises, alleviate poverty, and transform lives. As a result, the past decade has seen substantial growth in the number of BoP ventures that provide quality goods and services to BoP consumers and that offer fair and transparent pricing to BoP producers. This growth in BoP enterprises has been accompanied by increased investment by the development community and other investors.

There is, however, still a long way for the domain to go. Barriers continue to exist that can hinder a BoP enterprise from scaling to new markets while also remaining sustainable. Challenges to success for BoP enterprises stem from the nature of the market ecosystem in which they operate as well as limited access to appropriate resources, and a lack of well-articulated assessments of social impact. This is further complicated by the existence of varied business models and strategies in the domain, which make it difficult to evaluate potential success factors of a particular model or venture.

BoP enterprises are those that seek financial sustainability and scalability, operate in the underdeveloped market environment in which the BoP transact, plan for scalability beyond the local market, and actively manage toward producing significant net positive changes in multiple dimensions of well-being across the BoP, their communities, and/or the broader environment.

In confronting the difficulties of BoP enterprise development, individual enterprises have insight into the factors that influence success and failure. As a community, however, we still have yet to effectively discuss those experiences in a way that moves the entire domain forward. We must better understand how the BoP domain can collectively understand and share the lessons learned thus far.

In an attempt to revitalize the domain, move it forward and begin to fill these gaps, WDI organized and hosted the BoP Summit 2013: Creating an Action Agenda for the Next Decade. This Summit took place on October 21-23, 2013 at Ross Business School at the University of Michigan.

Limited to just over 200 BoP thought leaders from the corporate, nonprofit, development, foundation, and entrepreneurial worlds, this seminal event was designed to stimulate dialog and provide a venue for frank conversation and honest feedback. The BoP Summit was developed in partnership with a Summit Leadership Team (SLT) comprised of well-respected thought leaders within the BoP domain. Participants took stock of the current BoP domain, identified success factors and on-going challenges, and explored solutions to overcome these challenges. Designed specifically as an action-oriented and collaborative event, participants joined a specific working group that was aligned with a core topic and developed an agenda of activities required to push their area forward into the next decade. At the conclusion of the Summit, members of the working groups presented their recommendations to the entire audience to identify areas of overlap and collaboration.

In-depth discussions during the Summit resulted in a substantial sharing of key insights about the state of the BoP domain. This report presents the key outputs developed at the BoP Summit by working group participants; it is organized into the following sections:

- **Section 1: Summit Design & Process** – describes the relevant planning details about the BoP Summit.
- **Section 2: Working Group Findings** – discusses the key findings revealed at the Summit by individual working groups, including challenges & opportunities and recommendations to accelerate the development of the BoP domain.
- **Section 3: Conclusions and Moving Forward** – articulates key insights from the conferences, shares commitments to action made by Summit participants, discusses the roadmap developed as a result of the Summit, and shares some closing thoughts.
- **Appendices** – includes a detailed conference agenda, Summit Leadership Team bios, full working group reports, and a list of conference participants.

The information within this report was synthesized and used to produce a roadmap comprised of a prioritized set of initiatives for the future development of BoP domain. To learn more about the roadmap generated for the BoP domain as a result of the BoP Summit, please read our companion piece, “A Roadmap for the Base of the Pyramid Domain: Re-Energizing for the Next Decade.” To learn more about the BoP Summit 2013, please also visit the Summit website (bop2013.org) and blog (nextbillion.net/bopsummit).

Summit Design & Process

Objectives

The BoP community must continue to develop for the domain to grow and move forward. While individuals and organizations have learned a great deal, findings have not been shared in an effective manner. It is critical to start talking more about how the sector can collectively share and debate the lessons learned so far in order to better create the future path ahead of us. With this in mind, WDI organized and hosted the BoP Summit 2013: Creating an Action Agenda for the Next Decade on October 21-23, 2013 at Ross School of Business at the University of Michigan. The Summit is WDI's fourth major conference relating to the BoP domain.



The BoP Summit is a part of WDI's larger journey to advance the BoP domain and took significant time to plan and execute. With each major convening, the WDI has tried to target the most relevant issues for those operating in the domain. The Summit was designed to facilitate rich and robust conversations about the successes, challenges, and lessons learned over the past decade. The SLT developed a structure that allowed participants to engage in jointly creating an actionable roadmap for the future development of the BoP domain over the next decade. The Summit was also intended to develop new and strong relationships with a group of colleagues committed to building a BoP domain

that maximizes venture success today and over the long term. The aim was to build a stronger community willing to dedicate leadership and resources not only to support their own initiatives, but also to share in the larger journey of co-creating a domain.

A key outcome of this event was to develop insights that would support the future development of BoP domain, including a prioritized set of activities and an initial set of individuals and organizations willing to take leadership in implementation. To enable these outcomes to be achieved, the Summit consisted of panel sessions, plenary sessions, working groups and ample unstructured time for attendees to meet and discuss professional experiences. A detailed conference agenda is included in **Appendix 3**.

Participants

In advance of the Summit, WDI assessed the state of the domain, including conducting interviews with key thought leaders, and reviewing the latest research in the domain to determine the right topics areas for discussion at the Summit. WDI subsequently assembled a Summit Leadership Team (SLT) of well-respected thought leaders to validate and refine selected topics, help design the conference structure, lead meaningful conversations on final topics, and co-create the action agenda that emerged from Summit. Complete SLT bios are included in **Appendix 1**.

SLT members met regularly and were responsible for organizing and moderating panel sessions on key topic areas identified during the research process. At the Summit, SLT members led and facilitated

discussion with working groups on their topic area, but with a focus on co-creating recommendations for the overall domain. SLT members offered strategic guidance to the overall Summit effort as well as provided feedback on final conference outputs.

The Summit brought together a diverse set of BoP venture entrepreneurs and managers, academics, thought leaders, and other practitioners. Participants were asked to attend plenary and panel sessions, select a working group on a key topic area based on their interest, and contribute to developing the working group findings and recommendations.

Over 50 of the participants also served as panel session experts. Panelists included leaders from companies and organizations such as Abbott, Acumen, ANDE, Anudip, CARE, CEMEX, Coca-Cola, Danone, Dalberg, d.light, GE Health Care, GSK, Grameen, Honey Care, Oxfam, SNV, TechnoServe, UNDP, World Vision, and many more. A complete list of conference attendees is included in **Appendix 2**.



Structure

The conference agenda was designed to meet conference objectives in an interactive and engaging manner. The Summit consisted of three major elements: plenary sessions, panel sessions, and working group meetings. Plenary sessions consisted of moderated discussions relating to the entire BoP domain. Panel sessions consisted of carefully constructed panel-style sessions held on more specific topics. Both plenary and panel sessions focused on sharing best practices, articulating lessons learned, identifying challenges and gaps, and offering insights on the road ahead. Please see **Figure 1** (below) for a summary of the conference agenda. A detailed conference agenda is included in **Appendix 3**.

Figure 1: Conference agenda summary

Day	Date	Theme	Key Activities
1	Monday, October 21	Setting the Stage and getting to know each other	<ul style="list-style-type: none"> • Introduction to the Summit’s objectives. • Introduction to the leadership team and Summit design. • Presentations and discussions on current status of BoP domain. • Reception and dinner to facilitate domain-specific conversations.
2	Tuesday, October 22	Learn about the current state of the sector	<ul style="list-style-type: none"> • Presentations and discussions in eight panel sessions on relevant BoP topics. • Presentations and discussions in two sector-specific plenaries. • Initial working group meetings.
3	Wednesday, October 23	Developing sector initiatives	<ul style="list-style-type: none"> • Presentations and discussions in Funders’ plenary. • Continued working group meetings focused on finalizing their contributions to roadmap. • Report out and final presentation by the working group members. • Attendees depart.

Summit participants were asked to align to a particular working group. Working groups, which were associated with plenary and panel session topics, met over the Summit. SLT members were aligned to topic areas and facilitated discussions.

Working group members were asked to take stock of the current BoP domain relative to their topic area, recognize and amplify critical success factors, identify on-going challenges, and explore how those challenges could be overcome. Finally, members began to co-create an action agenda of recommendations for each topic area, including proposing what initiatives should be completed, how they could be implemented, and the resources required to achieve success. Members presented their findings to the wider audience near the end of the event. Working groups were organized around the following topic areas listed in **Figure 2** (below).

Figure 2: BoP Summit working groups

Working Group	SLT Leader
Understanding the BoP: Building Ventures that Incorporate the Local Context	Madhu Viswanathan
Achieving Social Performance: Assessing and Enhancing Poverty Alleviation Impacts	Sateen Sheth
New Venture Development: Incubation to Acceleration—View from the Field	Jim Koch
Multinational Corporations and the BoP: Seeking Scale	Filippo Veglio
Non-Profits and BoP Ventures: Integrating Economic and Social Goals with Viability and Scale	Chris Jochnick
Providing Financial and Other Resources: Re-thinking the Role of Enterprise Support	Sasha Dichter, Thane Kreiner
Ecosystem Creation in Base-of-the-Pyramid Markets	Radha Muthiah, Javier Ayala
Building Institutions to Facilitate Enterprise Growth	Stuart L. Hart
Agriculture: Best Practices, Major Roadblocks, and Next Steps	Simon Winter

Members of the BoP Summit organizing committee captured what occurred during panel sessions and their corresponding working group sessions. The organizing committee was also responsible for arranging key conference logistics, including site location, catering, and website development. Organizing committee members documented and synthesized the key findings and recommendations that emerged from working group conversations into reports. These reports were reviewed and finalized by SLT members. Working group participants were also given the opportunity to review the reports and provide additional feedback. A summary of the working group reports is found in **Section 2** and the full reports are included in **Appendix 4**. The list of the organizing committee is included in **Appendix 1**.

Working Group Findings

This section contains summaries of key findings and recommendations from each working group. These summaries describe the context of the topic area, key challenges and opportunities, and recommendations. The full reports from each group are included in **Appendix 4** of this report.

Understanding the BoP: Building Ventures that Incorporate the Local Context

The most successful and impactful BoP enterprises view BoP communities not as a problem to be solved, but as active participants in their problem solving.

BoP ventures have made significant progress in understanding the local context over the last decade. This understanding is critical not only to developing and implementing successful and sustainable BoP ventures, but it is also necessary to ensure that such ventures do not unintentionally create new problems or cause harm. While there have been some successes and best practices that BoP ventures should replicate a continual commitment to a deeper and more holistic understanding of local context is still required. In order to be successful, BoP ventures should leverage the knowledge, resources and skills of the BoP communities.

Challenges and Opportunities:

The best way to design comprehensive and effective solutions in BoP communities is to co-create with the community to ensure that local solutions address local problems. Key to this approach is developing a deep and holistic understanding of a community, which requires a BoP venture to build relationships with a community to identify current practices, needs and opportunities.

In order to achieve a greater level of collaboration and understanding, it is critical for BoP ventures to enter a community with respect, humility and a desire to learn and understand. This spirit of mutual learning and respect confers legitimacy by building trust and

developing strong relationships. BoP companies should identify and engage with local communities to incorporate their voices and gain a better understanding of the aspirations, perspectives and measures of success of the community they want to serve. The success and sustainability of BoP ventures will be enhanced by the strength of the relationships companies build with client communities and the level of mutual engagement in BoP ventures.

An understanding of local context will help BoP companies better determine the optimal scale for a venture based on local challenges and opportunities. By leveraging local resources, such as entrepreneurs, ventures can better integrate in to a community's ecosystem. At the same time, a deep understanding of local macro-level systems that affect their client community also helps ventures address issues such as political landscapes, physical infrastructure, and human development. With a proper understanding of the needs and resources of a local community, BoP ventures can properly invest in and positively influence the local community.

Key Recommendations:

Develop a community for ethical engagement with BoP stakeholders. The creation of an academic community for "Ethical Engagement with BoP Communities" that collaborates with the academic branches of sociology and

anthropology to initiate research projects and develop workshops and classes to educate BoP companies on best practices when approaching BoP communities.

Develop educational means to enhance holistic understanding of BoP context.

Develop educational programs and immersion experiences to enable understanding of BoP context by managers. *Develop ways to*

understand challenges in designing solutions through educational programs as well as through community engagement in specific contexts that are affiliated to BoP laboratories to try out solutions. Encourage BoP ventures to create a position of Chief Context Officer within their organizations, whose responsibilities would include working with an interdisciplinary immersed team to develop bottom-up insights that would inform strategic action.

Achieving Social Performance: Assessing and Enhancing Poverty Alleviation Impacts

Understanding, measuring, and clearly articulating BoP enterprise social performance is critical to having the desired impact on stakeholders and society.

As more organizations develop BoP ventures, they are becoming more interested in understanding and measuring socio-economic impact in order to justify the value of their work, and find opportunities to improve their operations. While conversations are growing and becoming more nuanced in relation to measuring social performance, it is still an extremely misunderstood and challenging topic.

Challenges and Opportunities:

Organizations are increasing cognizant of—and allocating resources to—measuring social performance. In the past, anecdotes involving specific (and often cherry-picked) clients were previously used to illustrate an enterprise’s effects. Currently, however, stakeholders have expanded their understanding of assessment methods as an important emerging reality. Challenges to assessing social performance still exist, however, as funding mechanisms do not generally support effective social performance measurement. For example, many grants do not include sufficient resources for impact measurement or have a short-term focus that does not enable true impact measurement.

In addition to lack of resources, there is also high variability in social performance approaches and a lack of collaboration among sector players in sharing best practices and standardizing performance measurements. There is a greater importance in the field on achieving greater standardization and transparency, including the refining and widespread adaptation of tools like IRIS’ open-source metrics catalog. No such movement, however, has occurred in regards to understanding and measuring outcomes. Different stakeholders currently possess varying degrees of sophistication vis-à-vis assessment techniques and there is an overall lack of collaboration within the sector on this issue that needs to be addressed.

Key Recommendations:

“Wrangling the Rainmakers,” – An initiative to accelerate key “money” players (e.g. DFIs, foundations, academics) around common metrics (IRIS) and data aggregation. This initiative seeks to accelerate moneyed stakeholders’ coalescing around advancing an assessment-based culture in the BoP’s enterprise space, where these stakeholders lead

efforts to aggregate and share information and encourage collaborative evaluations. The intended outcome of this initiative is to reduce the individual burden on organizations and leverage synergies among key stakeholders.

“Measurement Manifesto” – An initiative to document the range of measurement approaches. This initiative aims to facilitate conducting assessments by articulating their importance and value proposition, defining and distinguishing between sometimes confusing concepts, and delineating the spectrum of assessment methodologies together with when, how and why to employ them. The intended

outcome of this initiative is to simplify and makes measurement more accessible to BoP enterprises.

“Measurement Center of Excellence” – An initiative to create a center of excellence to enable sector-wide sharing. This initiative attempts to generate and share knowledge that furthers the field’s success, for instance by enabling BoP ventures to attain scale more quickly. The intended outcome of this initiative is to generate knowledge and learnings that shorten the time to success and advances the field.

New Venture Development: Incubation to Acceleration—View from the Field

BoP enterprise success depends on understanding the unique characteristics of doing business with those at the BoP.

As BoP enterprises attract increasing amounts of capital, new BoP ventures have greater opportunities to thrive from the incubation phase to acceleration. While the domain is just starting to understand the particularities of doing business with those at the BoP, influential players including investors and funders are often guided by incorrect assumptions. Conventional business wisdom may not be applicable; indeed, many myths have already been debunked.

Challenges and Opportunities:

Given the uncertainties under which BoP ventures operate, risk and failure are inevitable, but remain taboo subjects with most investors. Instead, investors and the community-at-large equate scale with success, pressuring new ventures to reach scale quickly despite these uncertainties. BoP ventures should be given the opportunity to take a long-term approach

to their growth and devote adequate time to gather the necessary information needed to optimize models before scaling. The incubation phase for new BoP ventures should be a time to gather information and “get the unit right” before scaling. This entails understanding both the “unit of social benefit” or impact as well as “unit economics” or financial viability of a replicable unit of the business—including each participant in the value chain of an enterprise.

The BoP venture also needs this time to determine the right approach and model to scaling. It is commonly assumed that ventures are most likely to scale through a narrowly focused product or service strategy, or by doing a few things well. However, some ventures may find that their best strategy is not merely to do more of the same, but rather to seek a more significant level of social and economic impact through a depth-scaling approach within a narrower geographic context or community.

Understanding the appropriate approach to scaling requires that BoP ventures to gain a deeper knowledge of their customers' needs. BoP ventures that make assumptions about their customers instead of spending considerable effort learning about them run the risk of delivering products that consumers do not want. BoP ventures must gather the appropriate information to determine the type and level of growth that best meet the needs of the community.

Key Recommendations:

Ensure that new BoP ventures take a long-term, disciplined approach to growth. Individuals entering an emerging market need to be aware of the unique challenges associated with growing and scaling a venture in the BoP space and goals should be derived from a

thoughtful analysis of extant knowledge and not from unrealistic aspirations.

Document and formalize experiences and frameworks through an online platform. For example, developing a BoP Wikipedia where people could go to find out about what has already been done, lessons learned and mistakes made. In addition, it would be helpful to developing case studies featuring BoP ventures, their unique challenges, and strategies.

New BoP venture leaders must set realistic goals and objectives. Unrealistically high expectations from investors can often compel venture leaders to strive for certain levels of growth before their venture is ready. There is a greater need to emphasize the challenges of execution and the investments needed to build sustainable organizational capacity.

Multinational Corporations and the BoP: Seeking Scale

Moving from BoP venture start-up to scale-up poses challenges that require greater support and resources

Thus far numerous organizations have made efforts to engage with the BoP across industries. Pilot programs have met with varying degrees of success. The true test for BoP related business models though has been in their ability to scale. There are notable differences between the start-up, and the scale-up challenges for BoP ventures. Today, multinational corporations are interested in the systems, resources and forces that come in to play when trying to achieve reach in terms of geography, as well as in terms of scale.

Challenges and Opportunities:

BoP ventures within MNCs seeking to scale require a variety of support and resources both internally and externally to scale up. For BoP programs that aim to scale up, establishing a clear set of metrics at the start of program development is important. Shareholders and

corporate leadership may not be familiar with tracking social impacts. If this is not addressed at the early stages of an initiative, conversations around scaling up will become more difficult. Ensuring that the organization buys in to the new types of metrics is therefore important to ensure organizational support to scale up the business later.

Obtaining the proper support and resources for BoP ventures requires managing leadership perceptions about BoP ventures. The ventures are often mistakenly viewed as just an additional revenue stream or distribution channel, when they should be looked at as holistic businesses that function in an ecosystem. When the venture starts to scale, there is a need for better access to financial resources, human capital, and management and technical expertise.

The internal capabilities of a BoP ventures need to be expanded when the ventures starts to scale, including ensuring the right type of internal talent is engaged with BoP ventures. For employees, BoP ventures are often viewed as being risky from a career management standpoint. They may take a long time to scale up, have multiple points of potential failure and despite positive impacts on people and communities, may not show commercial success for some time. In addition, for people hoping to build a career in BoP related businesses there is not always a clear career development track to follow. These issues can be a deterrent for new talent as well as for experienced professionals looking to enter the BoP domain.

There are also external challenges to scaling that need to be addressed, especially the scaling of the capabilities of BoP partners and partner organizations (NGOs, government, etc.). The challenge of scaling faster than the slowest segment puts the ecosystem of BoP ventures at risk. A challenge for the MNC running a BoP ventures is to consider how far they must go to support capacity building amongst their partner organizations.

Key Recommendations:

Developing specific collaborations between MNCs and academic institutions. MNCs should collaborate with academic institutions to raise

the profile of BoP business initiatives and encourage embedding a study of BoP economics, operations, marketing etc. into the core curriculum at institutions of higher education. These efforts would be aimed at developing a pipeline of top management talent to come in to the BoP space.

Develop standard BoP metrics for MNCs. These metrics would have to be verifiable by an external source, benchmarked, and linked to traditional financial metrics. A framework of BoP metrics would be centered on economic impact (e.g. sales), economic impact of capabilities built (e.g. future value of access created), and social impact.

Develop an online platform to share best practices and connect practitioners. In order to help speed up the process of developing partnerships in the journey to scale up, it was determined that access to reliable information was important. The following steps were recommended: create a Knowledge Hub on a platform such as Next Billion to enable finding and establishing cross-sector partnerships; identify service providers and possible advocacy groups with which to partner; and create a forum for BoP professionals to interact, and share challenges and ideas on a more regular basis.

Non-Profits & BoP Ventures: Integrating Economic & Social Goals with Viability & Scale

NGOs have an important role to play in the BoP domain and would benefit from greater coordination and more engaged multi-disciplinary partnerships.

NGOs may be considered the backbone of BoP work. NGOs are key partners for private sector entities working in emerging markets; they are well placed to provide both big picture and on-the ground knowledge and experience. While NGOs are increasingly integrating market-based

approaches, BoP approach value proposition and fragmentation remain challenges.

Challenges and Opportunities:

NGOs often serve as the backbone to BoP ventures. They are responsible for developing

and maintaining key relationships, as well as “translate” and create bridges between various stakeholders. NGOs are valuable partners for BoP actors and often are responsible for assisting BoP actors and ensuring that they stay true to the development mission. This involves asking the right questions, and address relevant policy and system failures. NGOs can also serve as a valuable partner in regards to creating market readiness. Based on their understanding of the market, consumers, and poverty, NGOs can often contribute positively to developing the market and consumer demand.

However, NGOs have difficulty modifying their traditional approaches to development. NGOs often subsidize, intervene, and/or substitute parts of existing market and supply chain too quickly. This can disrupt and inhibit growth of new and existing markets. NGOs need to develop a better understanding and discipline around market dynamics, including comprehending when NGOs undermine local markets through undue subsidies, and/or taking over commercial operations.

Providing Financial and Other Resources: Re-thinking the role of Enterprise Support

Existing programs fail to provide long-term resources that evolve to meet the needs of growing BoP ventures.

The landscape of BoP enterprise support is multi-faceted and contains organizations providing both financial and non-financial resources. These investors often use different language and have different preferences in investee maturity, scope of impact, and expected risk of the venture. These inherent investment preferences sometimes lead to a funding gap for certain BoP enterprises that may not match the desired investee profile for potential investors. In other words, the supply of funding does not match demand in amount or form. As a result, BoP enterprises find too

Key Recommendations:

Develop specific best practices to help NGOs engage with other stakeholders in the BoP ecosystem. This initiative involves developing best practices to engage with multinational corporations on larger BoP joint ventures. This will help reinforce non-profit’s multi-disciplinary and partnering capacity, increase business development acumen, and demystify and develop a clear position on non-profits “business role in development.”

Pilot new measurement tools to help move from project management to larger systems. This initiative would support the piloting of new measurement tools that help pay more attention to measurement as a vehicle for impact improvement and accountability.

Funding to invest in NGO market-based capacities. Provide funding to help NGOs develop capacities relating to impacting local markets through subsidies and taking over commercial markets.

few impact investors willing to deploy appropriate forms of capital for the stage of their enterprises. Facilitating cross sector partnerships and measuring results through longitudinal performance evaluation are other cornerstones to truly allow the BoP domain to thrive.

Challenges and Opportunities:

Many current investment and technical assistance programs focus on early stage ventures. These programs include business plan competitions as well as incubators and

accelerators run by private, public, and nongovernmental groups. As a result of this focus on early-stage entrepreneurship, the social enterprise sector has seen many success stories in recent years as a result of experimentation with various business models, products, and services. However, few social businesses have been able to move beyond the validation stage to achieve sustainable profits with operations at scale.

Current sources of funding support commonly focus on these early stage ideas and the scaling of business models that are proven to work. This leaves a “missing middle” to help enterprises move from early stage ideation and pilot studies to full-scale business operations. Few funders have interest in investing capital in the “boring bits” – including implementation of information technology systems, developing a knowledgeable sales force, building robust distribution networks, and other activities that are key to operational success at scale but “unsexy” from the investor perspective.

Beyond access to financial resources, gaps exist in the business skills and management experience required to operate a viable enterprise at scale. There is a significant need for technical assistance for enterprises, which may be coupled with or independent of funding. This ranges from prototyping assistance for engineering-related enterprises to the “boring bits” mentioned above. In addition to technical assistance, there is also a need to invest in human capital as attracting and retaining talent is a challenge and recruiting local mid-level managers is difficult, especially in rural areas. Finally, there is a gap in supporting the consistent collection of meaningful data in regards to both business and social impact.

Key Recommendations:

Enable a \$1 to \$1 to \$1 funding model. The \$1: \$1: \$1 initiative asserts that for every \$1 invested in an enterprise directly, there is also a need to invest \$1 in technical assistance to the enterprise and \$1 in ecosystem development. The source of funding, however, may vary. For example, ecosystem development and technical assistance might need to come from grant funding rather than impact investors who also expect financial returns.

Develop initiatives to provide pre-scale venture support. Social enterprises are rarely “investment ready” for existing capital. There are a lack of pre-investment resources to help BoP ventures develop the operational and organizational capacity necessary to undergo the investor due-diligence process and procure funding. There is also little expressed donor or impact investor desire to fund the “boring” stuff, including HR, business planning, governance, accounting systems. In order to enable enterprises to transition from mission driven to scaling ventures that serve the BoP as investable propositions, there needs to be consideration on how to attract more resources to fund “un-sexy” pre-scale support and lower the cost of scaling or becoming investment-ready.

Develop initiatives to create more models for scale. This initiative would involve experimenting with different models for scaling social and BoP enterprises. The following potential elements should be considered:

- Develop holding companies that could provide core services.
- Open source social enterprise franchising.
- Develop social enterprise cooperatives.
- Outsourcing business functions.
- Create toolkits to reduce the burden of learning how to scale (e.g., an operator’s manual or benchmarks for appropriate compensation, management processes).

Ecosystem Creation in Base-of-the-Pyramid Markets

The business ecosystem in base-of-the-pyramid markets need to function better to enable the execution of successful business models.

The important role that business ecosystems play in serving base-of-the-pyramid enterprises is a crucial component of developing an effective BoP roadmap. All successful businesses exist in the context of an ecosystem (or in some cases overlapping ecosystems) that enable them to execute business models, and those that serve the poor are no exception. Underdeveloped ecosystems that lack basic infrastructure and services make it difficult for enterprises to operate. Moreover, businesses that are forced to do everything on their own become distracted from their true areas of competence and stated mission: to serve the poor at the base-of-the-pyramid. It is clear that business ecosystems in base-of-the-pyramid markets are not functioning effectively.

Challenges and Opportunities:

There is a growing understanding among BoP ventures that healthy ecosystems are critical to their success. However, while there is agreement on the concept of ecosystems enabling BoP enterprises, stakeholders often do not agree on or fully understand their own role in the context of the ecosystem as a whole. Inclusive businesses are limited by these underdeveloped ecosystems, as absence of supporters and enablers prevents enterprises from scaling up.

Part of the challenge in building stronger ecosystems is that there are currently too many fragmented and short-term efforts in the market. Ecosystems in crucial geographic regions have failed to develop because stakeholders have not pursued long-term models. In addition, there is a lack of tools and

infrastructure to enable base-of-the-pyramid enterprise and ecosystem development. Few incentives exist for any actor to come in as a convener and enabler of an ecosystem, although there is a great need for further collaboration and development in this area.

Key Recommendations:

Build local and regional task forces to strengthen inclusive business ecosystems. It will be critical to make a clear case for why a sector needs to come together to achieve higher returns for each of the individual actors. This initiative would create a platform to coordinate collaboration within and across parallel ecosystems. It would also align objectives to ensure the intended long-term results are achieved by prioritizing strategies and agendas. Lessons learned should be summarized and shared within the community of practitioners and metrics for standards and indicators should be better defined and understood.

Shift focus towards long-term support of BoP ecosystems. Focus has to move towards developing BoP ecosystems with a long-term viewpoint in mind. This initiative would identify enterprises with vested interest to provide leadership. It should also foster strategic coordination between donors and investors. Communication and understanding are essential to an effective collaborative effort.

Building Institutions to Facilitate Enterprise Growth

Different actors working with a common goal must move from competition to convergence in order to see growth in BoP enterprises.

The key constituents of the BoP ecosystem which are considered important for the success of the BoP venture include: entrepreneurs, financiers, donors, facilitators, policy-makers, multinational corporations and local partners. These actors, or institutions, in this network need to be better connected to each other in order to provide BoP ventures more time to develop, as well as decrease the risks and high opportunity costs often associated with doing business with the BoP. The actors in this ecosystem must stop viewing everything as competition, and instead work together to share risks, assessments, and investments in ways that are “win-win” situations.

Challenges and Opportunities:

These diverse actors in the BoP ecosystem bring a robust set of strengths and experiences to the BoP domain that could be better leveraged to develop a more integrated community. Local partners, for example, have the best understanding of the needs of the BoP in a community, and what potential challenges and opportunities may exist for institutions looking to engage. Facilitators also have an opportunity to devise an integrated approach to help BoP ventures take-off. This requires coordination and collaboration through knowledge sharing events. At the moment, however, there is little coordination amongst the facilitating agencies. In fact, there is maybe more competition than coordination in the space.

Each actor also has an important role to play in the financing of BoP ventures. While there is an absence of venture capital and private equity funding in the BoP space, financiers have increased impact investing. Donors, who also experience limited funds, have responded by becoming more catalytic than implementation-

oriented. Coordinating efforts of the financiers, donors, private sector, and local government can address the “pioneer gap” issue. Donors and local governments should take the responsibility of early stage funding with financiers and private sector taking care of the later stages. Subsidies can be used in early stages after which the commercial sector can play an important role.

To support BoP ventures, actors such as corporations and NGOs can leverage their existing partnerships and resources. Corporations, for example, can leverage networks, resources, and capital to help BoP ventures scale in a way that wouldn't be possible otherwise. Corporations also have extensive experience in scaling and may be best suited to help BoP ventures with this challenge. Local partners, on the other hand, have relevant knowledge and networks, but don't necessarily have the opportunity to scale successful ventures on their own. In order to reach as much of the BoP as possible and focus on a common goal of poverty alleviation, local partners can work with other institutions to replicate and scale projects to have a greater impact.

While each actor brings its own resources and abilities to the BoP domain, there is still a lack of coordination and integrated approaches amongst actors. In addition, many actors have inflexible organizational structures or specific goals that may make them incompatible with other institutions. The BoP ecosystem would benefit from further understanding of the roles of each actor as well as models for better partnerships and collaborations.

Key Recommendations:

Develop a BoP institutional working group.

Develop a charter and reconvene a working group on this topic with an expressed objective for public output such as white paper, blog, website, collaborative “white space” pilot.

Develop an integrated and coordinated approach to supporting BoP ventures.

Develop an integrated mindset among the various players that leads to coordinated actions with the aim of improving success rate of BoP ventures. Identify champions in each

organization and have them join forces as a Board of Directors that brings its strengths and takes back its learnings to further the BoP initiative.

Develop a BoP conceptual map to enable better partnerships.

Create a model that serves as a conceptual map for all stakeholders to understand before they start reaching out to form partnerships for their BoP entrepreneurial projects. Create a file of case studies that demonstrate how specific multi-stakeholder partnerships have succeeded and/or failed.

Agriculture: Best Practices, Major Roadblocks, and Next Steps

The Agriculture sector, which has a large potential impact on the BoP, would benefit from the sharing of best practices for technology and innovation

With an estimated 450-500 million smallholder farmers, the Agriculture sector is poised to have a huge potential impact on the BoP, specifically through achieving poverty reduction and improving resilience. Despite successful projects, stories, and the emerging best practices in this field, there is a wide gap that must be filled before efforts can be replicated at a scale relevant to BoP farmers.

Challenges and Opportunities:

The agriculture sector has seen the development of new, successful BoP agriculture business models. There has been significant innovation in better adjusting models to local contexts. Successful agriculture development models illustrate the exciting opportunities that exist in this sector. For example, the One Acre Fund (OAF) uses a direct-to-farmer extension and financial services model that is adaptable to the local context or geography. This customization, though requiring considerable investment of time and resources, is critical to the success of replicative efforts.

Although there has been a great deal of innovation in developing models for local contexts, it is still difficult to scale up these models. Practitioners understand the need to develop locally-relevant and contextual approaches to agriculture development initiatives. This emphasis often comes at the expense of learning from other successful models and determining what “extendable” attributes or components are transferable in a new context and what must be adapted before replication.

In addition, it is a challenge to align the priorities and incentives of various actors and stakeholders. While the promise of innovative financing approaches is evident, there are still substantive gaps between what investors and lenders need to see to deploy capital and the absence or nascent nature of the business organizations engaged in by the majority of small farmers. Creating stronger alignment between financiers and capacity development funders and practitioners can close the gaps.

Key Recommendations:

Develop mobile related products and linking to mobile network operators (MNOs)

Information and communication technologies (ICT) have a lot of potential in the agriculture sector but haven't yet been developed to capture their full potential. There are currently examples of MNOs and other organizations using ICT to provide financial services for smallholder farmers, but they are limited. To understand what has worked well in other situations, a broad information sharing and learning community needs to be developed to review and evaluate best practices and lessons from what did and did not work in particular situations and how best to adapt it to local context.

Fund for replication and adoption of successful innovations, supported by case "library".

Develop a fund for replication and adoption of successful innovations, supported by a case "library" that documents emerging successful models and analyses their linkages to the broader eco-system for agricultural development. The replication fund should be anchored in established organizations (e.g. Grow Africa) that have strong relationships with country governments and good funding sources. This would be followed by the development of a detailed roadmap involving existing case studies and the development of new case studies. The combined set of cases would fuel the replication fund process that would follow.

Conclusions and Moving Forward



After more than a decade of existence, the BoP domain stands at an exciting, yet critical juncture. While the BoP domain has grown and evolved tremendously, more work needs to be done to continue the progress. Specifically, we have to do a better job of sharing our individual successes and failures across the broader community. The BoP Summit was developed in an attempt to better connect and evolve the BoP community. The Summit, which brought together over 200 BoP leaders from 24 countries, provided participants with an opportunity to work together to discuss, assess, and brainstorm ways to improve the BoP domain.

Key to the action-focused agenda of the Summit was the work of nine working groups focused on assessing and developing a better understanding of the BoP domain. In-depth discussions during the Summit by working groups resulted in a substantial sharing of key insights about the state of the BoP domain. Working groups identified and summarized important challenges and opportunities and developed key recommendations for each topic area.

Working groups helped uncover several critical gaps currently existing in the BoP domain that acknowledge the lack of platforms to share best practices and generate new knowledge about the domain as a whole. To address these gaps, the working groups identified several major opportunities to enhance BoP enterprise development and improve the domain's overall effectiveness. These opportunities included moving more BoP pilots to sustainable, scalable enterprises, creating a more robust ecosystem of partners that supports BoP enterprise development, understanding and enhancing BoP enterprise social impact, and developing a cohesive and globally-connected BoP training and knowledge network. These opportunities discussed at the Summit became critical components of a roadmap of initiatives for enhancing the future development of BoP domain. This roadmap, which offers prioritized and actionable steps forward for the domain, is captured in a companion report entitled *"A Roadmap for the Base of the Pyramid Domain: Re-Energizing for the Next Decade."*

At the conclusion of the Summit, many attendees contributed a long list of organizational and individual commitments to continue the momentum of the meeting. A sample of individual and organizational commitments include continuing to meet independently to further develop the identified initiatives from the roadmap, conducting additional research on working group topic areas, developing uniform methodologies relating to monitoring practices, creating an academic community on ethical engagement, and agreeing to continue to meet as working groups in order to continue to discuss issues and challenges. It was clear that conference participants saw the importance of working together to support the continued development of the BoP domain.

As demonstrated by the energy and passion of the BoP Summit, these are exciting times for those within the BoP domain, filled with much opportunity for learning and growth. We have made good progress so far, but there is still much to be done. Achieving success means having a longer-term vision not only for specific enterprises, but also for the domain as a whole. The BoP community is on a learning journey, and to succeed we must regain our humility. We need to push forward the boundaries of our understanding and build a community of colleagues willing to both act today and build for tomorrow.

Appendices

Appendix 1

Summit Leadership Team Bios



Ted London
Director-BoP Initiative
The William Davidson Institute at the University of Michigan

Ted London is a Senior Research Fellow at the William Davidson Institute and a member of the faculty at the University of Michigan's Ross School of Business. 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.

He has published numerous articles, chapters, reports, and teaching cases that focus on creating new knowledge with important actionable implications, serves on several advisory boards, and shares his research in venues across the globe. Prior to coming to the University of Michigan, London was on the faculty at the University of North Carolina. He also has held senior management positions in the private, non-profit, and development sectors in Africa, Asia, and the U.S.



Stuart L. Hart
President, Enterprise for a Sustainable World
Founding Director, Emergent Institute

Stuart L. Hart is the Samuel C. Johnson Chair in Sustainable Global Enterprise and Professor of Management at Cornell University's Johnson School of Management, where he founded the Center for Sustainable Global Enterprise. He also serves as Distinguished Fellow at the William Davidson Institute (University of Michigan), founder and President of Enterprise for a Sustainable World, and founding Director of the Emergent Institute based in Bangalore, India. Before joining Cornell in 2003, he was the Hans Zulliger Distinguished Professor of Sustainable Enterprise and Professor of Strategic Management at the University of North Carolina's Kenan-Flagler Business School, where he founded the Center for Sustainable Enterprise and the Base of the Pyramid Learning Laboratory. Previously, he taught corporate strategy at the University of Michigan's Ross School of Business and was the founding director of the Corporate Environmental Management Program (now the Erb Institute's dual master's program).

Professor Hart is one of the world's top authorities on the implications of environment and poverty for business strategy. In 1999, he was the recipient of the Faculty Pioneer Award from the World Resources Institute for his ground-breaking work in sustainable enterprise. He has served as consultant, advisor, or management educator for dozens of corporations and organizations including Dupont, S. C. Johnson, General Electric, Baxter Healthcare, Wal Mart, the World Economic Forum, and the Clinton Global Initiative. He is an internationally recognized speaker and has delivered hundreds of keynote addresses on the topic of sustainable business around the world. Professor Hart has also published more than 70 papers and authored or edited seven books with over 10,000 Google Scholar citations.

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 pathbreaking 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. With Ted London, Hart is also the author of a newly released book entitled Next Generation Business Strategies for the Base of the Pyramid. His best-selling book, Capitalism at the Crossroads, published in 2005, was selected by Cambridge University as one of the 50 top books on sustainability of all-time; the third edition of the book was published in 2010.



Sateen Sheth
Manager, Research Project Implementation
The William Davidson Institute at the University of Michigan

Sateen Sheth is the manager of Research Project of Implementation at the William Davidson Institute at the University of Michigan. He has over ten years of experience in both corporate and non-profit environments, focused on BoP/social enterprise impact assessment and venture development as well as Internet/mobile product strategy and development.

Sateen leads a team responsible for long-term applied-research initiatives related to the Base of the Pyramid (BoP) Initiative, impact investing, social enterprise and impact assessment in partnership with organizations such as the Rockefeller Foundation, ANDE, and the Bernard Van Leer Foundation. At WDI, Sateen has also advised organizations on social business model development and led the strategic design and implementation of several BoP impact assessment studies. He has co-authored a paper published in the Journal of Business Research titled, "Creating mutual value: Lessons learned from ventures serving base of the pyramid producers" that assessed and developed a framework around the common constraints facing BoP Producers.

Sateen received his Bachelors in Science in Math Applied Science and Business Economics from UCLA and his Masters of Business Administration and Masters of Social Work from the University of Michigan. He can be contacted via LinkedIn ([linkedin.com/in/sateen](https://www.linkedin.com/in/sateen)) and followed on Twitter @sateensheth.



Javier Ayala
Executive Manager
Vietnam Business Challenge Fund & Leader of the Inclusive Business Program,
SNV Asia

Javier Ayala serves as the Executive Manager of the Vietnam Business Challenge Fund (VBCF), which is a specialized fund designed to identify and invest in innovative Inclusive Business models in three sectors -agriculture, low-carbon growth and infrastructure and basic services- that deliver both commercial benefits for the company and social impact for the low income population including job creation, income improvements and access to affordable goods and services. The VBCF is capitalized by the UK Department for International Development (DFID), and managed by SNV Netherlands Development Organization.

He also serves as Leader of the Inclusive Business Program of the Netherlands Development Organisation – SNV in Asia, having occupied similar positions in SNV Latin America in previous years. As a global pioneer in the Inclusive Business field, SNV has focused its efforts on advancing this approach, an entrepreneurial initiative, recognizing the private sector's strategic role in development, while not

losing sight of the ultimate goal of business, namely generating profit, which creates the pillars for sustainability and scalability.

He has directly provided technical support and advice in Africa for on-going inclusive business projects in Mozambique, Ghana and other West African countries. He is an expert in Inclusive Business, Impact Investing, Market access, financial brokering and socioeconomic research having worked in a large variety of inclusive business projects, from agribusiness to mobile banking initiatives.

Javier holds a Bachelor's Degree in Economics, from the Catholic Bolivian University, and a Master degree in Development Economics and International Cooperation, from the University of Rome.



Sasha Dichter
Chief Innovation Officer
Acumen Fund

As Acumen's Chief Innovation Officer, Sasha is responsible for growing the impact of Acumen Fund's work through our investment in leaders and the spread of ideas. This includes the Acumen Fund Fellows Program and +acumen chapters; work in knowledge, metrics, and policy; as well as resource mobilization from our global Partner community. In his previous role at Acumen as Director of Business Development, Sasha led global capital raising, including executing a successful \$100M capital raise, serving as the point person for Acumen Fund's Partner community, and heading up global partnerships for global expansion.

Sasha is also a noted speaker and blogger on generosity, philanthropy and social change, the author of the Manifesto for Nonprofit CEOs, and the creator of Generosity Day. His talks have been featured on TED.com and he has been recognized as an Innovation Agent by Fast Company magazine and as a top 10 Business Bloggers by Say 100 Media.

Before Acumen Fund, Sasha worked at GE Money to expand financial offerings to underserved communities globally; and at IBM, spearheading the company's corporate citizenship strategy and launching a leadership program for school administrators. Sasha began his career as a management consultant for Booz | Allen | Hamilton working primarily in Latin America and Europe, and has worked with the microfinance group of Bank Rakyat Indonesia.

Sasha holds a BA from Harvard College, a Masters in Public Administration in International Development from Harvard's Kennedy School and an MBA from Harvard Business School.



Chris Jochnick
Director, Private Sector Department
Oxfam America

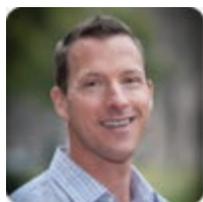
Chris Jochnick is the Director of the Private Sector Department at Oxfam America and co-coordinator of the Private Sector Team of Oxfam International. Mr. Jochnick co-founded and led two human rights organizations, the Center for Economic and Social Rights (NY) and the Centro de Derechos Economicos y Sociales (Ecuador). He has worked for two decades on issues of human rights, development and corporate accountability, including seven years in Latin America. At Oxfam, he has managed partnerships with, and led adversarial campaigns targeting, Fortune 500 companies and participated in various standard setting initiatives with the United Nations and other global bodies. Prior to joining Oxfam, Mr. Jochnick worked as an attorney with the Wall Street law firm

of Paul, Weiss, Rifkind, Wharton and Garrison. Mr. Jochnick is a graduate of Harvard Law School and a former fellow of the MacArthur Foundation and Echoing Green. He has published and lectured widely on issues of human rights, business and development. He teaches a course on business and human rights at Harvard Law School.



Jim Koch
Founding Director
Center for Science, Technology, and Society at Santa Clara University

Jim Koch is Don C. Dodson Distinguished Service Professor, Founding Director of the Center for Science, Technology, and Society, former Dean of the Leavey School of Business, and Emeritus Director of the Global Social Benefit Incubator at Santa Clara University. The GSBI empowers social mission entrepreneurs to build sustainable, scalable organizations and solve problems for people living in poverty around the world. For over a decade, the GSBI has helped mission-driven enterprise build, sustain, and increase the reach and impact of their businesses. The GSBI Network extends this decade of work in the discovery, incubation, and Silicon Valley mentoring of social ventures to a global alliance of Jesuit and other mission-aligned universities. Jim received his Ph.D. from UCLA and has published in a wide number of journals including: *Journal of Applied Psychology*, *Academy of Management Journal*, *Academy of Management Review*, *Journal of Vocational Behavior*, *California Management Review*, and *Innovations*. His current research focuses on best practices and the emergence of BoP off-grid energy needs as a growing market opportunity research and the role of technology and business model innovation in the development of scalable market-based solutions to poverty alleviation.



Thane Kreiner
Executive Director
Center for Science, Technology, and Society at Santa Clara University

Thane Kreiner, PhD, is Executive Director of the Center for Science, Technology, and Society at Santa Clara University. The Center's mission is to accelerate global, innovation-based entrepreneurship in service to humanity. Its signature Global Social Benefit Incubator (GSBI™) program has helped more than 180 entrepreneurs build sustainable and scalable ventures that deliver essential goods and services to the poor. Collectively, these enterprises have positively impact the lives of nearly 100 million people in base of pyramid communities worldwide. In addition to leading the Center, Thane teaches Entrepreneurship for Social Justice and co-teaches the two courses for the Center's Global Social Benefit Fellowship.

Thane was formerly Founder, President, and CEO of PhyloTech, Inc. (now Second Genome), which conducts comprehensive microbial community analysis for human health applications. He was Founder, President, and CEO of Presage Biosciences, Inc., a Seattle-based company dedicated to bringing better cancer drugs to market. Thane was the start-up President and CEO for iZumi Bio, Inc. (now iPierian), a regenerative medicine venture based on the break-through iPSc (induced pluripotent stem cell) technology. Prior to his efforts as a “parallel entrepreneur”, Thane spent 14 years in various senior leadership roles at Affymetrix, Inc., which pioneered the DNA chip industry. Thane currently serves as a Board member for the BioBricks Foundation, the Living in Color Foundation, and the regenerative medicine company Didimi, Inc. Thane earned his MBA from the Stanford Graduate School of Business; his PhD in Neurosciences from Stanford University School of Medicine; and his BS in Chemistry from the University of Texas, Austin.



Radha Muthiah
Executive Director
Global Alliance for Clean Cookstoves

Radha Muthiah is Executive Director of the Global Alliance for Clean Cookstoves. Since joining in September 2011, Radha has already overseen the completion of a major sector strategy report; been instrumental in the formation and execution of a strategic business plan to guide the Alliance's activities as it works toward its goal of 100 million households adopting clean cooking solutions by 2020; and secured dozens of new Alliance partners and millions of dollars in public- and private-sector support.

Radha is a senior manager with more than 20 years of experience in establishing and leading country operations for both for profit and nonprofit organizations, , managing large global organizations through transition, fostering effective partnerships and alliances and designing and delivering on branding and marketing strategies.,. Radha is also highly successful in developing and executing innovative business models to enhance revenue and has a solid reputation for building strong teams, creating collegial culture and inspiring staff. Radha is a member of the Council on Foreign Relations and a Board member of the Society for International Development.

Most recently, Radha was CARE USA's Vice President for Strategic Partnerships & Alliances. As a member of CARE's Senior Management team, she proactively developed, managed and grew key relationships and partnerships with the private sector, multilateral institutions, U.S. Government donors, academia and other international NGOs. A key aspect of her work was to recognize and build upon areas of strength and synergy for CARE and its partners in order to meet mutual goals of sustainable impact through the empowerment of women and girls as catalysts to eradicate poverty. Radha first joined CARE in 2005 where she served for three years as the Assistant Country Director in India until 2008.

Radha has an MBA from Stanford University and Bachelor of Arts and Masters degrees in Economics from Tufts University. Her favorite pastimes are traveling, tennis and yoga. She has an avid interest in languages and has studied Japanese and Mandarin. She is conversant in Bahasa Malaysia, Bahasa Indonesia and Tamil. Radha lives in the Washington, D.C. area with her husband and two sons.



Madhu Viswanathan
Diane and Steven N. Miller Professor in Business
University of Illinois, Urbana-Champaign

Madhu Viswanathan is the Diane and Steven N. Miller Professor in Business at the University of Illinois, Urbana-Champaign, where he has been on the faculty since 1990. He earned a B. Tech in Mechanical Engineering (Indian Institute of Technology, Madras, India, 1985), and a PhD in Marketing (University of Minnesota, 1990). His research programs are in two areas; measurement and research methodology, and literacy, poverty, and subsistence marketplace behaviors. He has authored books in both areas: Measurement Error and Research Design (Sage, 2005), and Enabling Consumer and Entrepreneurial Literacy in Subsistence Marketplaces (Springer, 2008, in alliance with UNESCO).

He directs the Subsistence Marketplaces Initiative (www.business.illinois.edu/subsistence) and has created unique synergies between research, teaching, and social initiatives. He teaches courses on research methods and on subsistence and sustainability. He founded and directs the Marketplace Literacy Project (www.marketplaceliteracy.org), a non-profit organization, pioneering the design and

delivery of marketplace literacy education to low-income consumers and subsistence marketplaces. He has received research, teaching, curriculum development, social entrepreneurship, humanitarian, leadership, public engagement, international achievement, and career achievement awards and his course on subsistence marketplaces was ranked one of the top entrepreneurship courses by Inc. magazine.



Filippo Veglio
Director, Social Impact
World Business Council for Sustainable Development (WBCSD)

Filippo Veglio is the Director of the Social Impact cluster at the WBCSD, a CEO-led, global coalition of companies advocating for progress on sustainable development.

Engaging senior representatives of member companies across various industry sectors, business organizations, multilateral institutions, NGOs and academia, Filippo manages the WBCSD's program promoting business solutions to enable inclusive growth.

The current work program focuses on the following themes: inclusive business; skills & employment; human rights; and rural livelihoods.

He joined the WBCSD in 2005, and has in particular led WBCSD's pioneering work on inclusive business at the base of the pyramid, catalyzing investments and partnerships on the ground as well as conducting research and advocacy.

Prior to joining the WBCSD, Filippo worked as Program Assistant at the Center for the Democratic Control of Armed Forces (DCAF), which provides in-country advisory support and practical assistance programs aimed at ensuring effective democratic governance of the security sector.

Filippo is a Swiss national and is fluent in six languages. He holds an M.A. in International Relations from the Graduate Institute of International and Development Studies in Geneva. He has been a professional tennis player and was a member of the Swiss Davis Cup team.



Simon Winter
Senior Vice President- Development
TechnoServe

Simon Winter is TechnoServe's Senior Vice President of Development. He is responsible for leading and managing strategy and strategic planning, knowledge management/thought leadership, and program development. He is also responsible for managing and incubating innovative programs, including around capital access for SMEs. Previously he was Regional Director for Africa. He joined TechnoServe in 2003.

From the time he first witnessed deep poverty at first hand in Cote d'Ivoire in 1984, Simon has been passionate about helping people acquire the skills, competencies and connections that will enable them to create the dynamic businesses that will end poverty. On his journey to TechnoServe, Simon acquired business advisory and strategic skills as a management consultant with McKinsey and Company (1998-2003) during which he co-led the firm's international development practice. Prior to that, he learned practical development solutions while working as an economic planner for the Botswana government,

and a development consultant in Southern Africa. And he became skilled in finance and banking with Barclays Bank plc in the UK, Cote d'Ivoire and Australia.



Prashant Yadav
Director, Health Care Initiative
The William Davidson Institute at the University of Michigan

Prashant Yadav is Director of the Health Care Research Initiative at the William Davidson Institute (WDI) at the University of Michigan. He also is on the faculty at the Ross School of Business and the School of Public Health at the University of Michigan. A leading expert on pharmaceutical and healthcare supply chains in developing countries, Dr. Yadav research explores the functioning of healthcare supply chains using a combination of empirical, analytical and qualitative approaches. He is the author of many scientific publications and his work on healthcare supply chains has been featured in prominent print and broadcast media. He also serves on the boards and advisory committees of multiple global health organizations and companies. Prior to coming to the the University of Michigan, Dr. Yadav was a Professor of Supply Chain Management at the MIT-Zaragoza International Logistics Program and a Research Affiliate at the MIT Center for Transportation and Logistics where he led the creation of a high impact research initiative focused on pharmaceutical supply chains in developing countries. Yadav is also a visiting scholar at the INSEAD Social Innovation Center.

Appendix 2

Participant List

There were a total of 202 attendees from 24 countries who participated in the 2013 BoP Summit.

Working Group	Name		Organization
Agriculture	Lee	Babcock	ACDI/VOCA
Agriculture	Gabriela	Burian	Monsanto
Agriculture	Stephen	Chiu	World Vision
Agriculture	June	Francis	Beedie School of Business, Simon Fraser University
Agriculture	Stephanie	Hanson	One Acre Fund
Agriculture	Maya	Horii	McKinsey & Company
Agriculture	Olivier	Kaysar	Hystra
Agriculture	Denise	Knight	The Coca-Cola Company
Agriculture	Kristin	Lobron	Proposal Writer
Agriculture	Kevin	McKague	Schulich School of Business, York University
Agriculture	Lisa	Peracchio	Nchiru Children's Village, Kenya
Agriculture	Simon	Winter	TechnoServe
Building Institutions	Cenk Lacin	Arikan	ARAMA Consulting
Building Institutions	John	Beale	VillageReach
Building Institutions	Niels	Billou	Ivey Business School
Building Institutions	Fernando	Casado Caneque	CAD
Building Institutions	Priya	Dasgupta	Emergent Institute
Building Institutions	Eileen	Gallagher	Edelman
Building Institutions	Gina	Graham	GE Healthcare
Building Institutions	Robert	Harris	Benedictine University
Building Institutions	Stuart	Hart	Emergent Institute
Building Institutions	Diana	Hollmann	GIZ
Building Institutions	Eriko	Ishikawa	IFC/World Bank
Building Institutions	Ekta	Jhaveri	Independent
Building Institutions	Stefan	Maard	Novozymes
Building Institutions	Candace	Martinez	Saint Louis Uniiversity
Building Institutions	David	McGuire	The QED Group, LLC
Building Institutions	Greg	Murray	CleanStar Ventures
Building Institutions	Luis	Perez-Batres	Michigan / Central Michigan
Building Institutions	Shuan	SadreGhazi	United Nations University - MERIT
Building Institutions	Sagun	Saxena	Clean Star Ventures
Building Institutions	Andrea	Shpak	BoP Global Network
Building Institutions	Sahba	Sobhani	United Nations Development Programme
Ecosystem Creation	Javier	Ayala	Vietnam Business Challenge Fund & SNV Asia
Ecosystem Creation	Madison	Ayer	Honey Care Africa
Ecosystem Creation	Elaine	Chang	Grameen Foundation
Ecosystem Creation	Nicolas	Chevrollier	BoP Innovation Center
Ecosystem Creation	Pradeep	Chowdhry	Eastern Michigan University
Ecosystem Creation	Myrtille	Danse	BoP Innovation Center
Ecosystem Creation	Mari	Kogiso	Sasakawa Peace Foundation
Ecosystem Creation	Radha	Muthiah	Global Alliance for Clean Cookstoves
Ecosystem Creation	Barb	Stuart	Daniels College of Business -U of Denver
Ecosystem Creation	Jin	Wakabayashi	Japan International Cooperation Agency (JICA)
Financial & Other Resources	Giselle	Aris	Land O'Lakes
Financial & Other Resources	Caroline	Ashley	Business Innovation Facility, Innovations Against Poverty, & IMPACT Programme
Financial & Other Resources	Colin	Beckwith	International Trachoma Initiative, Task Force for Global Health

Financial & Other Resources	Jimmy	Bettcher	Cummins Inc.
Financial & Other Resources	Deborah	Burand	University of Michigan Law School
Financial & Other Resources	Noha	El-Ghobashy	Engineering for Change, LLC
Financial & Other Resources	Kathryn	Ernst	Colorado State University
Financial & Other Resources	Colm	Fay	Abt Associates
Financial & Other Resources	Geegbae A.	Geegbae	College of Business & Public Administration, University of Liberia
Financial & Other Resources	Thane	Kreiner	Santa Clara University
Financial & Other Resources	Katherine	Lucey	Solar Sister
Financial & Other Resources	Vuyelwa	Matsiliza	Independent
Financial & Other Resources	Florence	Navarro	Domogeo
Financial & Other Resources	Audra	Renyi	World Wide Hearing
Financial & Other Resources	Chetachi	Ugoji	RegCharles Finance and Capital Ltd
MNC and the BoP	Henning	Alts	CEMEX - Patrimonio Hoy
MNC and the BoP	Ravi	Anupindi	University of Michigan
MNC and the BoP	Victoria	Bolam	LIXIL Corporation
MNC and the BoP	Susan	Chaffin	SBC Global Advisors, Inc.
MNC and the BoP	Dwarka	Chakravarty	Ivey School of Business, Western University
MNC and the BoP	Rosalind	Copisarow	Green Sunbird
MNC and the BoP	Paola	Dada	Bitacora Social Mexico
MNC and the BoP	Laurette	Dube	McGill University
MNC and the BoP	Sudheer	Gupta	Simon Fraser University
MNC and the BoP	Gisele	Gurgel	Tetra Pak
MNC and the BoP	Hanna	Hallin	H&M
MNC and the BoP	Brittany	Johnson	William Davidson Institute at the University of Michigan
MNC and the BoP	Ben	Kedia	University of Memphis
MNC and the BoP	Louise	Koch	Grundfos Lifelink
MNC and the BoP	Jean-Christophe	Laugee	DANONE
MNC and the BoP	Patricia	Marquez	University of San Diego
MNC and the BoP	Vijay	Sharma	GSK
MNC and the BoP	Rachel	Taplinger	Vanderbilt University Owen Graduate School of Management
MNC and the BoP	Yasuhiko	Toride	Ajinomoto Co., Inc.
MNC and the BoP	Filippo	Veglio	World Business Council for Sustainable Development (WBCSD)
MNC and the BoP	Prashant	Yadav	William Davidson Institute at the University of Michigan
New Venture Development	Radha	Basu	Anudip/iMerit
New Venture Development	Saleha	Khumawala	University of Houston
New Venture Development	James	Koch	Santa Clara University
New Venture Development	Saurabh	Lall	ANDE
New Venture Development	Johanna	Matocha	The Paradigm Project
New Venture Development	L. Lin	Ong	UNC Chapel Hill
New Venture Development	Luke	Potter	TechnoServe
New Venture Development	Pradeep	Pursnani	Shell Foundation
New Venture Development	Lina	Salazar	Inter-American Development Bank
New Venture Development	Caylee	Talpert	Tel Aviv University, Peers Innovation and international Development Program
New Venture Development	Chris	Theriot	School of Natural Resources
New Venture Development	Donn	Tice	d.light
New Venture Development	David	Walker	PSI
New Venture Development	Nancy	Wimmer	microSolar
NGO and BOP	Gaurav	Gupta	Dalberg
NGO and BOP	Marcela	Hahn	CARE USA
NGO and BOP	Chris	Jochnick	Oxfam-America
NGO and BOP	Gerald	Lewis	World Vision International

NGO and BOP	Manish	Mehta	Rotary International/A2 North
NGO and BOP	Braam	Oberholster	Southern Adventist University
NGO and BOP	Suhyon	Oh	Re-shaping Development Institute
NGO and BOP	Don	Seville	Sustainable Food Laboratory
Social Performance	Doug	Balfour	Geneva Global
Social Performance	Helio	Bertachini Neto	Oportunities for the Majority
Social Performance	Cynthia	Boruchowicz	Inter-American Development Bank
Social Performance	Hui Wen	Chan	Citi Foundation
Social Performance	Genevieve	Edens	ANDE
Social Performance	Heather	Esper	William Davidson Institute at the University of Michigan
Social Performance	Barbara	Gaskin	Independent
Social Performance	Kat	Harrison	SolarAid
Social Performance	Tigineh	Mersha	University of Baltimore
Social Performance	Hiroshi	Sato	Institute of Developing Economies, Japan
Social Performance	Kevin	Schneider	ORU/Edinburgh Business School
Social Performance	Lois	Varrick	CORE INTERNATIONAL, INC.
Social Performance	Steve	Wright	Grameen Foundation
Social Performance	Koichi	Yamamoto	Japan Water Forum
Social Performance	Viviane	Azevedo	Inter-American Development Bank
Understanding the BoP	Ali	Awni	The American University in Cairo
Understanding the BoP	Stefanie	Beninger	Simon Fraser University
Understanding the BoP	Christopher	Blocker	Colorado State University
Understanding the BoP	Aaron	Britt	IDEO.org
Understanding the BoP	Seth	Faber	Wahl Clipper
Understanding the BoP	Tina	Facca-Miess	John Carroll University
Understanding the BoP	Monica	Fernandez	Inter-American Development Bank
Understanding the BoP	Othon	Garcia	Bitacora Social Mexico
Understanding the BoP	Roland	Gau	University of Texas at El Paso
Understanding the BoP	Nancy	Landrum	University of Arkansas at Little Rock
Understanding the BoP	Michael	Metzger	INCAE Business School
Understanding the BoP	Ehsan	Noursalehi	Bump
Understanding the BoP	Mike	Parker	Green Sunbird
Understanding the BoP	Nicholas	Santos	Marquette University
Understanding the BoP	Patrick	Shulist	Ivey School of Business, Western University
Understanding the BoP	Robert	Thomas	Wahl Clipper Corp.
Understanding the BoP	Srinivas	Venugopal	University of Illinois- UC
Understanding the BoP	Madhu	Viswanathan	University of Illinois- UC
Summit Attendee	Khalid	Al-Naif	The William Davidson Institute
Summit Attendee	Sarah	Alphs	William Davidson Institute at the University of Michigan
Summit Attendee	Mary Anne	Amorim Ribeiro	Pupa Educational Enterprises
Summit Attendee	Scott	Anderson	NextBillion
Summit Attendee	Sharolyn	Arnett	William Davidson Institute at the University of Michigan
Summit Attendee	Leslie	Arney	William Davidson Institute at the University of Michigan
Summit Attendee	Leticia	Baiao	Amway Corporation
Summit Attendee	Oana	Branzei	Ivey School of Business, Western University
Summit Attendee	David	Canter	University of Michigan
Summit Attendee	Mee-Shew	Cheung	Xavier University
Summit Attendee	Kate	Cooney	Yale University
Summit Attendee	Francois	Deguedre	OPULUS
Summit Attendee	Amanda	DeLong	Amway
Summit Attendee	Rossana	Diaz Gonzalez	Genera
Summit Attendee	Les	Dlabay	Lake Forest College
Summit Attendee	Sandra	Draheim	William Davidson Institute

Summit Attendee	Duncan	Duke	Ithaca College School of Business
Summit Attendee	Diego	Durazo Cerecer	Danone Ecosystem Fund
Summit Attendee	Sara	Enright	UNDP
Summit Attendee	Amy	Gillett	William Davidson Institute at the University of Michigan
Summit Attendee	Carl	Hammerdorfer	Colorado State University
Summit Attendee	Kevin	Hassey	VisionSpring
Summit Attendee	Omar Keith	Helferich PhD	Central Michigan University
Summit Attendee	Lisa	Jones Christensen	UNC Chapel Hill
Summit Attendee	Ramesh	Karky	The University of Western Ontario Faculty of Law
Summit Attendee	Marc	Kerachsky	GE Corporate
Summit Attendee	Ali	Kruger	Center for Positive Organizations, Ross School of Business
Summit Attendee	Gina	Lagomarsino	Results for Development Institute
Summit Attendee	Alain	Leroy	Intermart Group
Summit Attendee	Karen	Lewis	Ross School of Business - India Initiatives
Summit Attendee	James	Militzer	NextBillion
Summit Attendee	Katsuhiko	Otaki	Proact International Inc.
Summit Attendee	Beth-Ellen	Pennell	Survey Research Center, Institute for Social Research
Summit Attendee	Kyle	Poplin	NextBillion
Summit Attendee	Maria	Rodriguez	Cincinnati Museum Center
Summit Attendee	John	Simon	Total Impact Advisors
Summit Attendee	Lisa	Smith	William Davidson Institute at the University of Michigan
Summit Attendee	Scott	Taitel	Clinton Giustra Enterprise Partnership
Summit Attendee	Nobyuki	Takaoka	Wakayama University, faculty of Economics
Summit Attendee	Takashi	Teraoka	Japan Water Forum
Summit Attendee	Scott	Tong	University of Michigan
Summit Attendee	Juliana	Ulysea Rocha Hayashi da Cruz	PUPA
Summit Attendee	Sinia	Whatmore	William Davidson Institute at the University of Michigan
Summit Attendee	DeJuan	Woods	Charles Stewart Mott Foundation

Appendix 3

Summit Agenda

Monday, October 21, 2013	
4:00 – 5:30 PM	Plenary 1: Setting the Stage
	Part 1a: What Have We Learned and Where Can We Go From Here
	Part 1b: Summit Design: Creating a Roadmap for Today and the Future
	Part 1c: Introduction to Working Groups
Tuesday, October 22, 2013	
8:00 – 8:30 AM	Continental Breakfast
8:30 – 10:00 AM	First Set of Panel Sessions
	Session 1a: Multinational Corporations and the BoP: Seeking Scale
	Session 1b: Non-Profits and BoP Ventures: Integrating Economic and Social Goals with Viability and Scale
	Session 1c: Understanding the BoP: Building Ventures that Incorporate the Local Context
	Session 1d: New Venture Development: Incubation to Acceleration - View From the Field
10:00 – 10:25 AM	Break
10:30 – 11:45 AM	Plenary 2: Health Care
11:50 – 12:50 PM	Lunch
1:00 – 2:30 PM	Second Set of Panel Sessions
	Session 2a: Providing Financial and Other Resources: Re-thinking the role of Enterprise Support
	Session 2b: Ecosystem Creation in BoP Markets
	Session 2c: Building Institutions to Facilitate Enterprise Growth
	Session 2d: Achieving Social Performance: Assessing and Enhancing Poverty Alleviation Impacts
2:30 – 2:55 PM	Break
3:00 – 4:15 PM	Plenary 3: Agriculture
4:20 – 5:30 PM	Working Group Sessions: Co-creating a Roadmap
Wednesday, October 23, 2013	
8:00 – 8:30 AM	Continental Breakfast
8:30 – 8:45 AM	Today's Agenda
8:45 – 9:45 AM	Plenary 4: Funders' View: From Ideas to Action
9:45 – 10:00 AM	Transition to Working Groups
10:00 – 12:00 PM	Working Group Sessions: Co-creating a Roadmap
12:00 – 1:00 PM	Lunch
1:15 – 3:30 PM	Plenary 5: The Journey Ahead
	Part 5a: Working Group Report Outs: An Action Agenda
	Part 5b: Next Steps: Creating an Integrated Roadmap for the Domain
3:30 – 3:45 PM	Conference Closing

Appendix 4

Working Group Reports

Understanding the BoP: Building Ventures that Incorporate the Local Context

Prepared by: Madhu Viswanathan (SLT), Kaitlyn Brown, Nancy Kasvosve

Context

BoP ventures have made significant progress in understanding the local context over the last decade. This understanding is critical not only to developing and implementing successful and sustainable BoP ventures, but it is also necessary to ensure that such ventures do not unintentionally create new problems or cause harm. The most successful and beneficial BoP ventures view BoP communities not as a problem to be solved, but as active participants in their problem-solving through leveraging their knowledge, resources and skills. While there have been some successes and best practices that BoP ventures should replicate, a continual commitment to a deeper and more holistic understanding of local context is still required.

Objectives

- 1.) Discuss challenges in gaining insights about BoP customers, entrepreneurs and marketplaces.
- 2.) Discuss challenges in designing solutions for the BoP.
- 3.) Explore how key challenges in understanding BoP markets can be overcome.
- 4.) Discuss how key challenges in designing solutions for BoP markets can be overcome.

Strengths & Opportunities

- * **Leveraging immersion as an effective approach for gaining insights and understanding local context:** Immersive experiences are most effective when managers of BoP enterprises suspend their interpretation of behaviors based on their own cultural assumptions and look to communities to show them what is relevant and important in their cultural context. Building trust and relationships with a community is essential to developing a holistic understanding of community current practices, needs and opportunities.
- * **Leveraging a complete approach to design solutions:** The best approach for using insights to design solutions center around a holistic approach. By using a systematic methodology and understanding the complex interwoven nature of culture and behavior, BoP ventures can avoid creating a “rifle shot” intervention that solely attacks one problem, but risks neglecting a larger issue or creates other problems. Co-creating solutions with the BoP to ensure that local solutions address local problems is the best way to design comprehensive and effective solutions in BoP communities.

Challenges

* **Ethical engagement with BoP communities:** An area of concern is the lack of consideration of ethical standards when engaging with BoP communities. Companies often come into communities with western ethnocentric assumptions of the needs of the population as well as western standards of measurement of success and progress. This approach often results in unintended consequences that may create new problems instead of solving the existing ones. BoP companies should identify and engage with local communities to incorporate their voices and gain a better understanding of the aspirations, perspectives and measures of success of the community they want to serve. The success and sustainability of BoP ventures will be enhanced by the strength of the relationships companies build with client communities and the level of mutual engagement in BoP ventures.

* **Lack of holistic understanding of local context:** The attitude with which BoP enterprises approach communities greatly determines how well they will understand the local context. It is critical to enter a community with respect, humility and a desire to learn and understand. This spirit of mutual learning and respect confers legitimacy by enabling the building of trust and strong relationships. Letting go of a cultural lens allows for a better understanding of the local context.

It is important to define “local” for the purpose of the venture as well as to acknowledge that many different realities exist within one geographical context. The context in question could range from a sub-group within a single village to a national context or beyond. Understanding power structures, gender roles, and other factors can inform which incentives will be most effective to create desired responses to BoP ventures by their client communities. An appreciation of these cultural complexities and where they overlap or not within the local context allow one to determine which insights can be applied more broadly and which type of insights must be re-generated when one moves to a new geography.

It is critical for BoP enterprises to spend time with the communities which with they want to work. This time on the ground must include local experts who can help explain nuances in culture and behaviors. Local universities are a great source of knowledge; this includes anthropologists, sociologists, historians and others who have developed a deep pool of knowledge about the people and places in the region.

* **Finding an optimal scale for BoP ventures:** BoP companies need to determine the optimal scale for ventures based on local context. In the case of some BoP enterprises, bigger isn’t necessarily better as some successful BoP enterprises are only applicable to a certain community. BoP enterprises should not grow just for the sake of growth, but should determine what level of scale is most appropriate. There is a need to pay attention to scaling in a manner that is reflective of the diversity in client communities. This helps form healthy and diverse BoP ecosystems that are integrated into the community.

BoP enterprises should assess the resources that exist in the community which already address the challenges they are trying to solve. Harnessing local entrepreneurial energy enables more effective scaling and provides two advantages:

1. Local entrepreneurs often have a comparative advantage in resources over BoP companies because they are rooted in the community and have deep-seated relationships in place.
2. It enables BoP companies to determine where they could best fit into the community’s ecosystem in order to optimize their resources by supporting existing infrastructure or creating new infrastructure without reinventing the wheel.

* **Difficulty understanding the macro-level systems of BoP client communities:** In order for BoP ventures to be successful, companies need to understand the macro-level system that affects their client community. Several challenges exist at this level which impact BoP ventures. The most important one is the political landscape in which a prospective BoP client community engages. Governments in BoP countries have diverse structures and varying levels of stability. In order to succeed, a company needs to understand the macro- politics of the community they want to work with and gain support and engagement from its leaders. BoP companies need to effectively lobby for public policy and transparency within BoP political structures by engaging with local civic organizations.

There may also be infrastructural challenges as infrastructure such as roads and utilities may not be up to the standards that foreign companies expect. Furthermore the existing educational infrastructure may not result in high levels of literacy and education.

BoP companies should invest in both the physical infrastructure and human development of their client communities. BoP enterprises could influence infrastructure development by mobilizing philanthropic government and business funding. Furthermore, recruiting local talent to work for BoP enterprises develops local human capacity

Recommendations and Potential Roadmap Initiatives

The group identified the following potential initiatives in order to develop a better understanding of the local context among those who engage within the BoP sector:

□ **Develop a community for ethical engagement with BoP stakeholders.**

The creation of an academic community for “Ethical Engagement with BoP Communities” that collaborates with the academic branches of sociology and anthropology to initiate research projects and develop workshops and classes to educate BoP companies on best practices when approaching BoP communities.

A human-centered approach is required to achieve more effective ethical engagement with BoP communities. BoP ventures should appeal to branches of academia, such as anthropology and sociology, that have well-developed methods of effective cross-cultural interaction and breaking cultural barriers with BoP communities to address this challenge. These academic branches have been engaging with BoP communities intimately for a long time and can act as a viable resource on best practices. They also have the advantage of having established relationships with the communities and being embedded and longitudinally involved with them and can serve as guides and examples on how to efficiently navigate BoP communities.

□ **Develop educational means to enhance holistic understanding BoP context.**

Develop educational programs and immersion experiences to enable understanding of BoP context

As managers are often unfamiliar with BoP contexts, a variety of means need to be developed to enhance their understanding. Such means could range from educational programs to immersion in contexts to allow interactions and observations that develop in-depth understanding.

Develop ways to understand challenges in designing solutions

Learning about challenges in designing solutions is critical for the next generation BoP manager. This could be achieved through educational programs as well as through community engagement in specific contexts that are affiliated to BoP laboratories to try out solutions.

Encourage BoP ventures to create a position of Chief Context Officer within their organizations.

This individual’s responsibilities would include working with an interdisciplinary immersed team to develop bottom-up insights that would inform strategic action. Someone with experience working in the community would be most ideal. Local organizations and academic institutions can source individuals with this kind of expertise.

Achieving Social Performance: Assessing and Enhancing Poverty Alleviation Impacts

Prepared by: Sateen Sheth (SLT), Caitie Goddard, Andrea Kraus, Heidi McGowan

Context

As more organizations develop BoP ventures, they are becoming more interested in understanding and measuring socio-economic impact in order to justify the value of their work, and find opportunities to improve their operations. Understanding, measuring, and clearly articulating a BoP venture’s social

performance is critical to ensuring that venture activities are having the desired impact on stakeholders and society. While conversations are growing and becoming more nuanced in relation to measuring social performance, it is still an extremely misunderstood and challenging topic.

Objectives

- 1.) Develop a clear understanding of the benefits of impact assessment and when it is appropriate to perform.
- 2.) Identify the main challenges to performing impact assessment.
- 3.) Share common pitfalls that organizations should avoid when conducting impact assessments and discuss available resources for those interested in performing impact assessment.

Strengths & Opportunities

- * **Interest in understanding social performance growing and conversations are becoming more sophisticated:** Most salient and encouraging was organizations' increasing cognizance of—and allocation of resources to—measuring social performance: whereas anecdotes involving specific (and often cherry-picked) clients were previously used to illustrate an enterprise's effects, group members cited stakeholders' expanded understanding of both assessment methods and rationales as an important emerging reality.
- * **Some movement towards standardization of outputs (e.g. IRIS):** There is a greater importance and timeliness of the field's impetus towards achieving greater standardization and transparency. This includes establishing, refining and encouraging the widespread adaptation of tools like IRIS' open-source metrics catalog. However, it is important to note that little or no such movement has occurred in regards to understanding and measuring outcomes.
- * **Technology potentially provides a lever for sector innovation and disruption:** Technology such as mobile devices, tablets, the Internet, and the cloud provide potential opportunities to enable improved and more effective social performance measurement.

Challenges

- * **High variability in social performance approaches:** Different stakeholders currently possess varying degrees of sophistication (together with the complicating factors of contrasting organizational objectives, perspectives and levels of flexibility) vis-à-vis assessment techniques—an asymmetry that might be intimidating or off-putting to less knowledgeable organizations.
- * **There is a need to define and understand the spectrum of approaches to social performance measurement:** Common types of assessment-related misperceptions include confusion regarding the field's terminology and core concepts (for example, conflating ideas like 'monitoring' with 'evaluation' and 'performance' with 'impact'), the reasons for undertaking assessments, and what approaches to employ under which circumstances. These choices are made more difficult by the multiplicity of available tools, cost constraints and organizations' often conflicting or burdensome reporting requirements. In addition, there is a difficulty distinguishing between and integrating business and development approaches to measurement.
- * **Lack of appropriate funding mechanisms for social performance measurement:** Current funding mechanisms do not generally support effective social performance measurement. For example, many grants do not include sufficient resources for impact measurement or have a short-term focus that does not enable true impact measurement.
- * **Lack of collaboration among sector players:** While initial community building efforts have taken place, there is an overall a lack of collaboration within the sector. Specifically, there needs to be more sharing of best practices, tools, and data.

Recommendations and Potential Roadmap Initiatives

The group identified the following potential initiatives to advance social performance measurement within the BoP sector:

- **Wrangling the Rainmakers,” – An initiative to accelerate key “money” players (e.g. DFIs, foundations, academics) around common metrics (IRIS) and data aggregation.**

This initiative seeks to accelerate moneyed stakeholders’ coalescing around advancing an assessment-based culture in the BoP’s enterprise space. Besides coordinating the selection and promotion of standardized sector- and product-specific metrics, participants envisioned these stakeholders leading efforts to aggregate and share information and encourage collaborative evaluations through this endeavor. The intended outcome of this initiative is to reduce the individual burden on organizations and leverage synergies among key stakeholders.

- **“Measurement Manifesto” – An initiative to document the range of measurement approaches.**

This initiative aims to facilitate conducting assessments by articulating their importance and value proposition, defining and distinguishing between sometimes confusing concepts (such as performance management or impact measurement), and delineating the spectrum of assessment methodologies together with when, how and why to employ them. The intended outcome of this initiative is to simplify and makes measurement more accessible to BoP enterprises in order to help them better serve BoP stakeholders.

- **“Measurement Center of Excellence” – An initiative to create a center of excellence to enable sector-wide sharing.**

This initiative attempts to generate and share knowledge that furthers the field’s success, for instance by enabling BoP ventures to attain scale more quickly. As planned by group members, its wide-ranging remit includes promoting best practices, aggregating, distributing and analyzing social performance assessment data, funding evaluations, establishing a library of case studies and other documentation (including a database of ongoing, completed and planned studies), promoting community interaction, pairing assessment professionals with organizations in need of expertise and maintaining a clearinghouse of assessment-related resources. The intended outcome of this initiative is to generate knowledge and learnings that shorten the time to success and advances the field.

New Venture Development: Incubation to Acceleration—View from the Field

Prepared by: Jim Koch (SLT), Carolyn Hwang, James Schneidewind

Context

As BoP ventures attract increasing amounts of capital, new BoP ventures have greater opportunities to thrive from the incubation phase to acceleration. The success of these ventures depends on understanding the unique characteristics of doing business with those at the BoP. While the domain is just starting to understand these particularities, influential players including investors and funders are often guided by incorrect assumptions. Conventional business wisdom may not be applicable; indeed, many myths have already been debunked.

Objectives

- 1.) Highlight key steps in the process of venture development and growth.
- 2.) Identify the challenges that influence the quality and quantity of start-up ventures.
- 3.) Identify the challenges that influence the growth of these ventures.
- 4.) Explore key strategies to enhance the venture development from start to scale.

Strengths & Opportunities

- * **Leveraging the incubation phase to fine-tune BoP business models:** The incubation phase for new BoP ventures should be a time to gather information and “get the unit right” before scaling. This entails understanding both the “unit of social benefit” or impact as well as “unit economics” or financial viability of a replicable unit of the business—including each participant in the value chain of an enterprise.
- * **Undertaking a depth-scaling approach:** It is commonly assumed that ventures are most likely to scale through a narrowly focused product or service strategy, or by doing a few things well. However, some ventures may find that their best strategy is not merely to do more of the same, but rather to seek a more significant level of social and economic impact through a depth-scaling approach within a narrower geographic context or community.

Challenges

- * **New ventures are often forced to become vertically integrated:** Many ventures discover that their businesses must become vertically integrated out of necessity rather than arising from any strategic choice. The actors in the supply chain are commonly in formative stages or simply do not exist. Distribution channels must be created, often to penetrate low-density markets that characterize the rural poor.
- * **Customer demand must often be created:** While a consumer need may exist, market demand for products that meet the need may not. For example, before D.light could sell solar lanterns, they needed to educate consumers about the product to generate market demand. Similarly, Anudip needed to overcome self-limiting culturally-based concepts of women’s roles in Muslim society to stimulate demand for market-based skills training; and, Grameen Shakti needed to leverage the trusted “brand” of Grameen Bank to launch and accelerate the diffusion of its village-based program for solar home systems.
- * **Little understanding of BoP customers:** The BoP customer has been poorly understood. Only recently has the “one-size fits all” myth been rejected. Even at the BoP, consumers want choices, and may prefer to invest in aspirational goods that give them a perceived higher quality of life rather than goods that directly benefit their health. BoP ventures that make assumptions about their customers instead of spending considerable effort learning about them run the risk of delivering products that consumers do not want.
- * **Fragmented funding sources as ventures grow:** Investors and donors greatly influence the success of new BoP ventures, and their understanding of these challenges and distinctions is critical. Capital is often aimed at specific stages of venture development, resulting in fragmented funding sources and “lean periods” as ventures graduate from one funding source but do not yet qualify for the next.
- * **Pressure to reach scale:** Given the uncertainties under which BoP ventures operate, risk and failure are inevitable, but remain taboo subjects with most investors. Instead, investors and the social enterprise community-at-large equate scale with success, pressuring new ventures to reach scale quickly despite these uncertainties. New ventures need time to know their customers, create demand, develop cost-efficient distribution channels, understand pricing structures, and attract and train the correct talent. The incubation phase for new BoP ventures should be a time to gather this information and optimize models before scaling.

Recommendations and Potential Roadmap Initiatives

The group identified the following potential initiatives in relation to BoP new venture development:

□ **Ensure that new BoP ventures take a long-term, disciplined approach to growth.**

Individuals entering an emerging market need to be aware of the unique challenges associated with growing and scaling a venture in the BoP space. Though expectations for growth and scaling should be tempered (e.g., assuming a flatter “S-curve”, realistic break-even points, etc.), a true understanding of a BoP market reflects those realities in the creation of a diverse and non-traditional set of organizational success indicators. In other words, taking success indicators from an organization operating in the United States and attempting to apply them to a firm operating in Nairobi will almost inevitably result in unmet organizational goals at best, and a negative net social impact at worst.

It is recommended that BoP ventures take a long-term, disciplined approach to growth, one that is based on the challenges and opportunities presented by the local context, precedent set by similar ventures in similar cultural and geographical contexts, and goals that are derived from a thoughtful analysis of extant knowledge and not from aspirations that are not founded in reality.

□ **Document and formalize experiences and frameworks through an online platform.**

Leading actors in the BoP space need to begin the serious work of documenting and formalizing experiences and conceptual frameworks. Many have expressed frustration that BoP best practices, educational tools, and terminology are not more accessible. For example, developing a BoP Wikipedia where people could go to find out about what has already been done, lessons learned and mistakes made so that new BoP ventures would not have to reinvent the wheel. In addition, developing case studies featuring BoP ventures, their unique challenges, and strategies would be enormously helpful to new BoP actors.

□ **New BoP venture leaders must set realistic goals and objectives.**

It is recommended that venture leaders be up-front and honest with their stakeholders and investors about realistic goals and objectives. Unrealistically high expectations from investors can often compel venture leaders to strive for certain levels of growth before their venture is ready. Scaling too early can often lead to scaling problems that were not properly addressed during the initial stages of venture development. There is a greater need to emphasize the challenges of execution and the investments needed to build sustainable organizational capacity.

□ **Develop even capitalization models for all stages of BoP venture development.**

It is important to create an even level of capitalization for all stages of development in BoP ventures. This recommendation addresses the common practice of investors to only offer capital to support the high level scaling stages of a venture while undercapitalizing the ideation, incubation, and establishing stages. This uneven level of capitalization and investor support can lead to the scaling problems referenced in the previous paragraph. It can also create the wrong or even perverse incentives where ventures gloss over important details in their nascent stages in order to get to the scale stage where they know the big capital is waiting. While markets, in the long-term, are generally not kind to ventures that ignore the importance of thorough ideation and deliberate incubation, the consequences of doing this in a BoP space, a setting that is usually fragile and unstable, are much greater.

Multinational Corporations and the BoP: Seeking Scale

Prepared by: Filippo Veglio (SLT), Garrett Kirk, Namrata Sopory

Context

Thus far numerous organizations have made efforts to engage with the BoP across industries. Pilot programs have met with varying degrees of success. The true test for BoP related business models though has been in their ability to scale. There are notable differences between the start-up, and the scale-up challenges for BoP programs. Today, multinational corporations are interested in the systems, resources and forces that come in to play when trying to achieve reach: in terms of geography, as well as in terms of scale. In the BoP space, it is with a great deal of humility that the community accepts that there have been challenges in this regard.

Organizations differ in their definition of what it means to achieve scale. This is due in part to industry differences as well as differences in the nature of the BoP models in use. In general though achieving “scale” implies some combination of:

- The number of people reached by an initiative.
- Geographic footprint of an initiative.
- Sales or procurement volume.

In addition, key attributes in describing what “success” in achieving scale looks like include the timeframe over which the initiative is expected to achieve scale, the break-even point for the initiative, and the return on investment projected. The latter two attributes have commercial implications and are important because only commercially viable initiatives are truly scalable and have the potential to be truly sustainable.

Objectives

- 1.) Develop a better understanding about challenges & opportunities relating to creating scalable BOP ventures within large companies.
- 2.) Develop insights into solutions and strategies to tackle internal & external challenges to achieving scale.

Strengths and Opportunities

* **Establishing a clear set of metrics at the program initiation:** For BoP programs that aim to scale up, establishing a clear set of metrics at the start of program development is important. The nature of BoP projects behooves the tracking of social impacts which shareholders and corporate leadership may not be familiar with. If this lack of awareness is not combatted early in the life of the BoP initiative, conversations around scaling up the initiative become harder to sell, and conversations about the pros of the scaling up become harder to communicate. Ensuring that the organization buys in to the new types of metrics is therefore important to ensure organizational support to scale up the business later.

It is thus critical that the right kinds of metrics exist to report on. BoP initiative leadership, corporate leadership, and shareholders are likely to be interested in differing sets of metrics. When talking about impact and outcomes, the BoP initiative claiming credit for social impacts is tricky given the partnerships with the BoP, and other organizations that likely had to happen in order to achieve success.

Challenges

The challenges facing organizations on the journey to achieving scale can be divided into two groups: internal & external challenges.

Internal Challenges:

- * **Managing complex and varied organizational structures:** Within MNCs, BoP initiatives are organized in a variety of ways. At initiation, a BoP initiative may be set up as an independent unit, may be run under the CSR umbrella, or it may be just another project in the organization's portfolio. Each methodology for organization structure impacts the viability and success of the initiative as it starts up and has implications for when the initiative starts to scale.
 - * **Ensuring adequate management support for scaling:** The initial organizational structure for the BoP initiative impacts the level of familiarity that the mainstream business has with it. Ensuring that there is adequate management support for scaling up will then be a challenge.
 - * **Ensuring adequate access to resource within organizational structure:** Regardless of the original structure of the organization, when the initiative starts to scale, there is a need for better access to financial resources, human capital, and management and technical expertise. If the initiative cannot get access to these resources with the existing organization structure, leadership will need to make a choice about potentially reorganizing the structure of the initiative including perhaps integrating it with the mainstream organization.
 - * **Managing leadership perceptions about BoP ventures:** Leadership perceptions of the potential and challenges of engaging the BoP market segment need to be addressed as well to ensure that the initiative gets the support and resources it needs in order to scale successfully. The initiatives are also often mistakenly viewed as just an additional revenue stream or distribution channel, when they should be looked at as holistic businesses that function in an ecosystem, a factor that can also negatively impact the appropriate allocation of resources to it. If the BoP business is to be integrated with the mainstream organization, smoothly integrating the two is a challenge as well.
 - * **The need to compare BoP ventures to standard measures:** The need to start reporting results against standard commercial metrics that the organization is familiar with could cause an unexpected shift in focus of the BoP initiative. Additionally, these initiatives may produce weaker returns than traditional commercial initiatives when using standard metrics for evaluation. Yet they will need to coexist with and compete with commercial projects for funding. Managing leadership expectations on returns as well as continuing to highlight the extensive individual and community impact that these initiatives have poses a considerable challenge.
 - * **Ensuring the right type of internal talent is engaged with BoP ventures:** The internal capabilities of a BoP initiative need to be expanded when the initiative starts to scale. Professionals with an entrepreneurial mindset are required. At the same time, experienced middle management is required to support growth of the initiative. Talent may be sourced from other departments in a corporation, or from external talent pools.
- For employees, BoP initiatives are often viewed as being risky from a career management standpoint. They may take a long time to scale up, have multiple points of potential failure and despite positive impacts on people and communities, may not show commercial success for some time. This can be a deterrent for young professionals as well as experienced middle managers, and raises the question: how do you train people to not view engaging in BoP projects as a risky career move?
- * **Lack of established career paths:** For people hoping to build a career in BoP related businesses there is not always a clear career development track to follow. When these tracks do exist there is often a lack of clarity around how to navigate them. This perception is a deterrent for new talent coming out of colleges, as well for experienced professionals looking to make their mark in their corporations. For example, employees may be concerned about being cut off from the mainstream corporation and not having a way to transition back to that side of the business.
 - * **Scaling up partner organizations:** In addition to the organization scaling up, the capabilities of BoP partners, and partner organizations (NGOs, government etc.), also need to be scaled in proportion. The challenge of scaling faster than the slowest segment puts the ecosystem of BoP initiatives at risk. Additionally, partner organizations may have conflicting views on growth targets, or mechanisms for driving growth.

External Challenges:

- * **Communicating information about BoP products and services:** When trying to achieve scale, communicating information about the products and services offered by the BoP initiative to wider geographies is a challenge. This is complicated further for FMCG companies, where brand building brand is critical. Reaching out on a large scale to geographic areas with poor infrastructure and achieving sustained engagement with the BoP is a difficult task to accomplish.
- * **Influencing behavior change in BoP consumer segments:** BoP initiatives have two key criteria that influence their sustainability: (i) financial sustainability and (ii) “stickiness” of the program with the community i.e. how likely is the community to embrace the program, and keep it going. In the BoP market, building brands by what you do is an integral part of establishing credibility and engaging with the BoP. It influences how “sticky” the programs eventually are, and is usually resource intensive. When trying to scale up, meeting this requirement becomes a challenge because of the scale at which it needs to be conducted. It is important to address though because it questions the way corporations look at their brands and engage with consumers.
- * **Difficulty in finding the appropriate partners:** Geographic separation of MNCs and the target markets they hope to serve and lack of familiarity with certain geographies, makes it a challenge to find appropriate and reliable partners due to unequal information. Partner organizations such as NGOs may also rely on sources of funding, which, if they fall through, leave the MNC’s BoP initiatives in the lurch. When scaling up a BoP initiative, the ability of the NGOs to scale up as well comes into question. Additionally, in places with weak judicial structures, MNCs may bear the brunt of delinquencies of partner organizations.
- * **Brokering the right types of partnerships:** As with any contractual agreement, striking the right kind of partnership is a challenge for BoP initiatives as well. Initiatives that start up organically within corporations may not possess the necessary talent to negotiate realistic partnerships. Developing a sound understanding of the true motivations of partners in the target geographies, (and urban vs. rural settings), requires a commitment of time, resources, and personnel. Additionally, the nature of partnerships may need to change once the initiatives try to scale up. It is possible that incentives in place with the original initiatives are no longer viable, and so partner management also becomes a challenge.
- * **Maintaining and creating value in partnerships:** When scaling up, the ability of partner organizations to scale up is called in to question. Additionally, for the organizations to continue creating value may become more difficult as operations seek to become lean. A challenge for the MNC running a BoP initiative is to consider how far they must go to support capacity building amongst their partner organizations. Additionally, hard questions may need to be raised about whether partners who were creating value in the initial model, no longer do so as the model scales, and what the best use of their resources is to the BoP initiative at that point. These questions may at times conflict with the goal of BoP initiatives to make a positive impact on communities and people’s livelihoods.

Recommendations and Potential Roadmap Initiatives

The group identified the following general recommendations in relation to supporting MNCs engaging in the BoP domain:

Organizational Structure:

- **Establishing an appropriate BoP initiative ‘home’.**
If it is determined that the BoP initiative cannot exist independently and needs to be integrated with the parent corporation, an appropriate location for it will need to be determined within the corporation to ensure sustained funding and appropriate oversight.
- **Develop matrix organizational structures.**
This type of organization structure would allow functional experts from a mainstream corporation to bring their expertise to a BoP project that is scaling up just as they would to any other commercial project. Benefits of this methodology are that (i) the existing organizational structure for the corporation would not need to be altered (this would be less disruptive than

integrating a BoP program with the corporation); (ii) greater leadership visibility into the working of the BoP initiative could be established gradually (iii) leadership perceptions and expectations might be better managed.

- **Leverage time-split projects for internal resources.**

This resource sharing mechanism would allow people who are passionate about the BoP space to contribute time and effort to this without leaving their “day” job. Budget for the human capital resource would come from both all projects amongst which time is split. A benefit of this methodology is that it offers a channel through which awareness of BoP principles and strategies might be built within the larger corporation.

- **Develop immersion programs for internal resources.**

Seen as short-mid length duration projects, BoP projects could be positioned as stretch assignments for talent. A benefit of this approach would be that the BoP initiative itself would not go through a drastic change and risk becoming subservient to purely corporate incentives. They would be able to maintain some autonomy.

Capabilities/Resources:

- **Develop new risk/rewards programs.**

Just as the metrics required for assessing the success of a BoP initiative are different from those used for standard commercial projects, the evaluation criteria and reward and recognition structures for personnel working on BoP initiatives need to be tailored to match up with the risk inherent in the business. Financial incentives need to be commensurate to ensure that talent is attracted to these initiatives. Reward structures for experienced professionals need to be tailored as well. Compensation for middle management should also be such that it attracts internal transfers despite the risk inherent in the business.

- **Perform internal aspiration building.**

BoP initiatives need to ensure that they are capturing and presenting the impact that they are having on communities to both the internal organization, and externally. Awards that are earned need to be celebrated, and means to quantify the positive impacts on brand value should be explored. Raising the profile of BoP initiative positions falls upon leadership, as well as team members and HR. It has been noted that in various instances, the drive for a BoP initiative has come from the top down. This implies that some leaders who are open to exploring engagements with this segment can greatly influence the support such initiative receive. There is something to be said therefore for mentoring young leaders to consider the economics of the BoP segment in order to build awareness amongst them.

- **Develop new training programs.**

Training programs need to be established for new hires as well as middle management to help bring people up to speed as quickly as possible on the challenges that are specific to business development with the BoP segment. Additionally, career management resources need to be made available to individuals to ensure that the risk of developing highly specialized skills at the cost of transferable skills is mitigated. Organizational structures can also play a role in mitigating the perception of stunted career development opportunities in the BoP space.

Reach, Communication, Influence:

- **Develop local teams to partner with BoP communities.**

The BoP segment needs to be engaged in order to develop viable business models. They need to be included in the value chain, and capacity building of the BoP needs to be incorporated into a business model in order for it to be sustainable. Creating local teams and empowering them to engage with the rest of their community helps BoP initiatives drive reach as well as establish two way communications with this market segment.

Additionally, “train the teacher” type programs allow for scaling up of capability building amongst the BoP segment, while expanding the pool of people involved in conversations about the efficacy or products, services and the business model itself. In order to develop a successful pilot, and also to scale up therefore, BoP initiatives need to find a community based value proposition for their products and services, and not just an individual proposition, i.e. the BoP segment ought not to be viewed as simply a consumer of goods and services, but an active participant in the value creation process.

Partnerships:

- **Companies need to invest in partnership capabilities.**

By investing in developing the capabilities of partners, MNCs will develop a clearer understanding of their partner’s true inherent capabilities sooner rather than later in the partnership. Additionally, the investment could tie the partner and the corporation closer together in a symbiotic relationship making it more difficult for a partner organization (or the corporation) to renege on the terms of the agreements. Making these investments also enables a corporation to plan for the growth and scaling up of the BoP initiative as it removes some of the risk of the partner organization being unable to do so on its own.

- **Need to connect support solutions with MNCs.**

In given geographies, there are common support systems that would be of assistance to MNC related BoP initiatives across industries. These could be systems that provide information based resources, or expertise in certain functional areas. In order to enable and accelerate scaling up, the BoP practitioners community can play a role in connect support solutions with MNCs.

- **Enabling local legal structures.**

Ensuring that there is some recourse for MNCs when local partners renege on the agreed upon terms of the partnership is essential for MNCs to be able to engage in BoP initiatives. As MNCs are answerable to their shareholders, investing in this area would help build the business case for continued investments when initiatives seek to scale up. Additionally, MNCs may have the resources to collaborate with other corporations on helping strengthen local legal structures whereas local partner organizations may not have the power to do so.

The group identified following potential initiatives in relation to supporting MNCs engaging in the BoP domain:

- **Developing specific collaborations between MNCs and academic institutions**

A number of business leaders determined that there is great value in MNCs collaborating with academic institutions to raise the profile of BoP business initiatives and encourage embedding a study of BoP economics, operations, marketing etc. into the core curriculum at institutions of

higher education. These efforts would be aimed at developing a pipeline of top management talent to come in to the BoP space.

□ **Develop standard BoP metrics for MNCs.**

There is a large body of work that addresses the question of how to develop appropriate metrics for BoP initiatives. In order to help build a business case for leadership to support and provide resources for scaling up BoP initiatives, it was determined that new metrics would need to be created for the initiatives. These metrics would have to be

- Verifiable by an external source – to counter concerns about the validity of self-reported achievements and successes through auditing
- Benchmarked – to provide input to BoP initiative and corporate leadership on progress, and to raise the profile of BoP initiatives as a competitive advantage
- Linked to traditional financial metrics – BoP initiatives have to be financially viable when they scale. The financial implications of social impact metrics will aid in communicating the viability and potential of scaled up BoP initiatives.

Thus, it was determined that a framework of BoP metrics centered on the following impacts of BoP initiatives be more widely shared and used as a standard for reporting on progress of BoP programs:

- a. Economic impact (e.g. Sales)
- b. Economic impact of Capabilities Built (e.g. future value of access created)
- c. Social impact

□ **Develop an online platform to share best practices and connect practitioners.**

In order to help speed up the process of developing partnerships in the journey to scale up, it was determined that access to reliable information was important. In light of this the following steps were recommended to be taken:

- Create a Knowledge Hub on a platform such as Next Billion to enable finding and establishing cross-sector partnerships.
- Identify service providers and possible advocacy groups with which to partner.
- Create a forum for BoP professionals to interact, and share challenges and ideas on a more regular basis.

Non-Profits & BoP Ventures: Integrating Economic & Social Goals with Viability & Scale

Prepared by: Chris Jochnick (SLT), Juan Felipe Andrade Dominguez, Kristine Schantz

Context

NGOs may be considered the backbone of BoP work. NGOs are key partners for private sector entities working in emerging markets; they are well placed to provide both big picture and on-the ground knowledge and experience. While NGOs are increasingly integrating market-based approaches, BoP approach value proposition and fragmentation remain challenges.

Objectives

1. Identify challenges and opportunities faced by non-profits in their efforts to develop and scale BoP ventures.
2. Identify how BoP ventures can address broader non-profit development ends, including empowerment and policy change.

3. Identify challenges and opportunities in trying to simultaneously scale BoP ventures while addressing broader development ends.
4. Explore strategies to facilitate the creation, by non-profits, of a growing community of sustainable and scalable ventures that also positively impact key social issues.

Strengths & Opportunities

- * **Create the bridge between various stakeholders within the BoP ecosystem:** NGOs often serve as the backbone to BoP ventures. They are responsible for developing and maintaining key relationships, as well as “translate” and create bridges between various stakeholders.
- * **Help stakeholders stay true to venture mission:** NGOs often are responsible for assisting BoP actors and ensuring that they stay true to the development mission. This involves asking the right questions, and address relevant policy and system failures.
- * **Provide support to develop market readiness:** NGOs can serve as a valuable partner in regards to creating market readiness. This includes providing pre-commercial and on-going investment and technical support.
- * **Contribute to the development of the market and consumer demand:** Based on their understanding of the market, consumers, and poverty, NGOs can often contribute positively to developing the market and consumer demand.
- * **Provide evidence-based information to support BoP investment:** Making the case for BoP investment: through monitoring and evaluation/evidence

Challenges

- * **Rigidity in modifying traditional NGO approaches:** NGOs have difficulty modifying their traditional approaches to development. In addition, NGOs too often are top-down. NGOs could focus on becoming more adaptable and locally agile.
- * **Disrupting the growth of new markets through interventions:** NGOs often subsidize, intervene, and/or substitute parts of existing market and supply chain too quickly. This can disrupt and inhibit growth of new and existing markets. For example, NGOs may deliver BoP services in the local markets with operational costs covered by subsidies from donors; this in some cases may create distortion in the market by eliminating existing efficient local service providers.
- * **May lack the necessary business capacity to develop BoP ventures:** Some NGOs lack the necessary business capacity and acumen necessary for BoP venture development.
- * **Overcoming preconceived notions about private sector partners:** NGOs often hold ideological reservations about private sector actors, which can limit the potential and ability to develop meaningful partnerships.
- * **Competition with private ventures:** NGOs can sometimes crowd out or take funds intended private ventures.
- * **Lack of focus on development goals:** NGOs sometimes fail to maintain their focus on development and social goals.
- * **Better understand market dynamics:** NGOs need to develop a better understanding and discipline around market dynamics, including comprehending when NGOs undermine local markets through undue subsidies, and/or taking over commercial operations. This includes developing intervention exit plans.

Recommendations and Potential Roadmap Initiatives

The group identified the following potential initiatives to support non-profits engaging in the BoP sector:

- **Develop specific best practices to help NGOs engage with other stakeholders in the BoP ecosystem.**

This initiative involves developing best practices to engage with multinational corporations on larger BoP joint ventures. This will help reinforce non-profit's multi-disciplinary and partnering capacity, increase business development acumen, and demystify and develop a clear position on non-profits "business role in development."

In addition, best practices should be developed that help non-profits better exercise voice and influence governance. This will help strengthen NGOs voice in government in order to support mission integrity.

- **Pilot new measurement tools to help move from project management to larger systems.**

This initiative would support the piloting of new measurement tools that help pay more attention to measurement as a vehicle for impact improvement and accountability.

- **Funding to invest in NGO market-based capacities.**

Provide funding to help NGOs develop capacities relating to impacting local markets through subsidies and taking over commercial markets.

Providing Financial and Other Resources: Re-thinking the role of Enterprise Support

Prepared by: Sasha Dichter (SLT), Thane Kreiner (SLT), Berry Kennedy, Caroline Wolfe, Alice Zheng

Context

The landscape of enterprise support is multi-faceted and contains organizations providing both financial and non-financial resources. Financial investors range from pure philanthropists to financial and impact investors requiring varying levels of return. These investors often use different language and have different preferences in investee maturity, scope of impact, and expected risk of the venture. These inherent investment preferences sometimes lead to a funding gap for certain BoP enterprises that may not match the desired investee profile for potential investors. Questions also remain as to the most appropriate form of funding: equity versus debt versus philanthropy. In other words, the supply of funding does not match demand in amount or form. As a result, impact investors find too many investment-ready deals and BoP enterprises find too few impact investors willing to deploy appropriate forms of capital for the stage of their enterprises.

Beyond access to financial resources, gaps exist in the business skills and management experience required to operate a viable enterprise at scale. Business capabilities required to move a venture beyond its initial phase are the functions required of any business of scale, including financial, technology, human resources, sales, and logistics. Groups providing support to BoP ventures, including investors, incubators/accelerators, and traditional NGOs, often target early stage enterprises by providing up front business training. While these groups often reward innovation, many existing programs fail to provide long-term support that evolves to meet the needs of the growing BoP venture.

The evolution of ventures in BoP markets is also significantly aided by access to appropriate human capital resources, including qualified managerial talent, senior leadership, and external governance

support. Many BoP ventures are launched by dynamic founders who run the business in its early stages without a defined succession plan. When the business reaches the point where additional hiring is necessary and new roles are developed, firms are also limited by the small pool of educated and experienced managers, especially in frontier markets. Furthermore, BoP ventures also often lack the appropriate governance support, including well-connected board members who aid in navigating the various stages of business growth and maximization of social impact.

In addition to addressing the above issues directly with appropriate funding and appropriate technical expertise, facilitating cross sector partnerships and measuring results through longitudinal performance evaluation are other cornerstones to truly allow the BoP domain to thrive. Moreover, ecosystem changes will be essential to ensure that appropriate pools of human capital to support enterprise scaling exist and are embedded in the local context.

Objectives

- 1.) Examine what is and is not working in providing direct support to enterprises to accelerate development.
- 2.) Highlight promising models and identify where gaps exist that could accelerate enterprise growth to scale.

Strengths & Opportunities

- * **Investment and TA focus on early stage ventures:** Many current investment and technical assistance programs focus on early stage ventures. These programs include business plan competitions as well as incubators and accelerators run by private, public, and nongovernmental groups. As a result of this focus on early-stage entrepreneurship, the social enterprise sector has seen many success stories in recent years as a result of experimentation with various business models, products, and services. However, few social businesses have been able to move beyond the validation stage to achieve sustainable profits with operations at scale.

Challenges

- * **Several funding gaps currently exist:** Current sources of funding support commonly focus on early stage ideas and the scaling of business models that are proven to work. This leaves a “missing middle” to help enterprises move from early stage ideation and pilot studies to full-scale business operations. Few funders have interest in investing capital in the “boring bits” – including implementation of information technology systems, developing a knowledgeable sales force, building robust distribution networks, and other activities that are key to operational success at scale but “unsexy” from the investor perspective. Additionally, there is a lack of clarity in communications between investors to potential investees on expectations of potential risk and expected return.
- * **Enterprises face many technical assistance needs:** There is a significant need for technical assistance for enterprises, which may be coupled with or independent of funding. This ranges from prototyping assistance for engineering-related enterprises to the “boring bits” mentioned above. For example, many entrepreneurs lack knowledge about financial instruments and need technical support in that area. Additionally, there needs to be a mechanism or platform to connect entrepreneurs to appropriate technical assistance. It is also important to consider where the technical assistance can be applied. The answer may be the enterprise directly, or perhaps an intermediary organization who can then impact many enterprises in a specific vertical, such as human resources management.
- * **Attracting and retaining talent:** Attracting and retaining talent is a challenge. Issues may also arise in succession planning, as BoP ventures are often built around a single charismatic founder. Additionally, identifying appropriate, experienced board members and establishing governance principles is a challenge. Finally, recruiting local mid-level managers is difficult, especially in rural areas.

- * **Developing committed partnerships can be difficult:** Commitment from partners providing the appropriate support throughout the evolution of the venture is instrumental to success in BoP ventures. However, incentives are not currently aligned to support the sharing of knowledge and resources to ensure that viable enterprises succeed and resources are efficiently allocated.
- * **Lack of available longitudinal data:** Gaps exist in the consistent collection of meaningful data in regards to both business and social impact. Metrics are typically collected in the early stages of investment in BoP ventures by funding organizations. These metrics, however, are rarely collected consistently over the long term. Social impact metrics are difficult to collect, and IRIS metrics have been broadly adopted in certain sectors. Many organizations are only able to document qualitative anecdotes. Support programs that stimulate innovation may not lead to immediately measurable outcomes in the BoP. Furthermore, few funders are willing to pay for data collection and analysis.
- * **A fear of failure:** There is an overall fear of failure. It is important to remember that both success and failure are valid outcomes. Failure, however, is rarely discussed and if so, not openly.
- * **A large amount of due diligence is often required:** From the impact investor perspective, the cost of sourcing ventures and conducting due diligence can be very high for the small investment sizes typical of impact investments, especially in the “missing middle.”

Recommendations and Potential Roadmap Initiatives

The group identified the following potential initiatives in order to develop a better understanding of the local context among those who engage within the BoP sector:

- **Enable a \$1 to \$1 to \$1 funding model**
The \$1: \$1: \$1 initiative asserts that for every \$1 invested in an enterprise directly, there is also a need to invest \$1 in technical assistance to the enterprise and \$1 in ecosystem development. The source of funding, however, may vary. For example, ecosystem development and technical assistance might need to come from grant funding rather than impact investors who also expect financial returns.
- **Develop initiatives to provide pre-scale venture support**
Social enterprises are rarely “investment ready” for existing capital. As in traditional western startups, new ventures require a significant infusion of new talent, information technology, and operational capacity development in order to achieve profitability, repay investors, and ensure the long-term viability of the business. A gap currently exists in the resources to fund and train BoP businesses to overcome this hurdle, and also in the talent pool in developing markets to lead growing BoP organizations.

There are a lack of pre-investment resources to help BoP ventures develop the operational and organizational capacity necessary to undergo the investor due-diligence process and procure funding. There is also little expressed donor or impact investor desire to fund the “boring” stuff, including HR, business planning, governance, accounting systems. Funder, investor, multinational also have a lack of understanding of what to expect of companies in BOP space. In order to enable enterprise to transition from mission driven to a scaling venture that serves the BoP as an investable proposition, the following elements should be considered:

- *Attract more resources to fund “un-sexy” pre-scale support.*
This initiative relates to a refocus of grant funding and other programs on BoP ventures at this critical transition stage. This would involve educating potential donors, funders, corporate and NGO partners. As well as conducting conduct studies to validate need for greater grant funding of building operational capacity.
- *Lower the cost of scaling or becoming investment-ready.*
This could include developing shared support or “back office” functions, or creating holding companies that provide economies of scale in common functions. Toolkits could also be developed to support venture investment-readiness.

Potential solutions to address this gap include a refocus of grant funding and other programs on BoP ventures at this critical transition stage. Furthermore, operating structures that allow BoP ventures to share and pool business resources such as holding companies or shared services models between enterprises warrant further investigation.

The topic of the human capital challenge also warrants further investigation. The shortage of qualified business managers in developing markets will require years of focused investment in educational resources. Firms may overcome these gaps in the short term by “backwards integration” in targeted business training programs. Long term, the private sector may need to consider more significant investment in education to meet talent needs. Programs that incentivize educated young professionals from emerging markets to work in their home country should also be explored.

□ **Develop initiatives to create more models for scale**

BoP enterprises are not scaling to the level needed to create meaningful impact on the pressing problems of poverty. There is a lot of inefficient replication and reinventing the wheel. In addition, there is a difference between scaling single enterprises and scaling business models.

This initiative would involve experimenting with different models for scaling social and BoP enterprises. The following potential elements should be considered:

- Develop holding companies that could provide core services.
- Open source social enterprise franchising.
- Develop social enterprise cooperatives.
- Outsourcing business functions.
- Create toolkits to reduce the burden of learning how to scale (e.g., an operator’s manual or benchmarks for appropriate compensation, management processes).

Discussion of models for scale included a variety of questions related to both who should scale and how they should do it.

□ **Create a Technical Assistance (TA) Exchange**

While various forms of technical assistance are currently available to BoP practitioners, many BoP practitioners are often unaware of the resources available to them and have difficulty identifying the TA resources which are appropriately suited to their needs, including the stage of the business, geography, and sector. BoP enterprises do not know how to access appropriate resources and support for the specific challenges they face. Donors are also replicating TA efforts and it is difficult to align the right TA with the right recipient at the right time. There

also exists a non-prioritization of TA, specifically impact investors and funders are not willing to invest the appropriate funds in TA or ecosystem development.

It is recommended to develop a “Technical Assistance Exchange” which would serve as an online marketplace to share available resources and request specific forms of technical assistance. A central forum for these resources would benefit both providers and consumers of these services by facilitating connections that are appropriately suited to the needs of BoP practitioners and service providers. The following potential elements should be considered:

- *Develop a platform for partnerships*
- *Alignment with multinationals.*
- *Develop open-access tools by donors.*
- *Create a local-level technical assistance database.*
- *Start a technical assistance marketplace.*
- *Develop an online TA Sharing Economy: (e.g. Yelp/Craigslist version for TA).*

□ **Better support venture failure**

Many BoP ventures fail for the wrong reasons, while others do not learn from failure. There is a need to change the culture of BoP entrepreneurs, donors, and investors to think of failure in a different way. This recalibrating of expectations is not an acceptance of lack of success, but rather recognition that failure is part of the journey to that success. At another level, models for failure involves identifying ways to distinguish between failure that is appropriate—in other words failure of an idea that is not right—and failure of a good idea or model that is due to mismanagement, lack of resources, or the many other challenge that exist in the BoP space. There is also an expressed need to share modes of failure so that the BoP sector becomes more efficient; multiple enterprises should not fail for the same reason.

There are mechanisms in other markets such as turnaround investing and M&A that seem to be absent from the BoP space. Just as important as the “rescue” functions that are missing, there is also a lack of planning to fail. BoP entrepreneurs and donors could better incorporate iteration and revision of business models into business and grant planning so that changes in course due to testing and experimenting with ideas were expected. Entrepreneurs should not have to choose between sticking to grant agreements or doggedly sticking with an idea that may not be working in practice.

This initiative would help allow graceful exits, and transitions that move the venture and the BoP marketplace forward. The following potential elements should be considered:

- Reframing failure. Failure is expected and part of the business lifecycle. How do we plan for it and take advantage of the lessons learned? This includes iteration, experimentation, failure as a part of the life-cycle, and to fail early and fast.
- Redesigning business model.
- Attract turnaround investors and turnaround management teams.
- Consider BoP mergers and acquisitions.
- Using better governance and board of directors to catch failure earlier.

Ecosystem Creation in Base-of-the-Pyramid Markets

Prepared by: Radha Muthiah (SLT), Javier Ayala (SLT), Mary Lowe, Yuchen Lu, Thomas Sargeantson

Context

The important role that business ecosystems play in serving base-of-the-pyramid enterprises is a crucial component of a successful roadmap for BoP 2.0. All successful businesses exist in the context of an ecosystem (or in some cases overlapping ecosystems) that enable them to execute a successful business model, and those that serve the poor are no exception. Underdeveloped ecosystems that lack basic infrastructure and services make it difficult for enterprises to operate. Moreover, businesses that are forced to do everything on their own become distracted from their true areas of competence and stated mission: to serve the poor at the base-of-the-pyramid. It is clear that business ecosystems in base-of-the-pyramid markets are not functioning effectively.

Objectives

- 1.) Examine lessons learned from efforts to create a market for introducing new products and services and exploring how these might apply to other BoP contexts.
- 2.) Understand BoP customer's psychological and behavioral responses to new product introduction and how these can impact the type and amount of future usage.
- 3.) Identify best practices on creating a global platform to promote market creation and discussing how these can be applied to other products and sectors.
- 4.) Explore key strategies needed to enhance future market creation efforts.

Strengths & Opportunities

- * **Practitioners have a better understanding of the importance that ecosystems have in BoP venture success:** There is a growing understanding among BoP ventures that healthy ecosystems are critical to their success.

Challenges

- * **Various perspectives and points of view in regards to ecosystems:** Although there is agreement on the concept of ecosystems enabling BoP enterprises, stakeholders often do not agree on or fully understand their own role in the context of the ecosystem as a whole.
- * **Inclusive businesses are limited by underdeveloped ecosystems:** The absence of supporters and enablers prevents enterprises from scaling up.
- * **There are too many fragmented and short-term efforts in the market:** Ecosystems in crucial geographic regions have failed to develop because stakeholders have not pursued long-term models.
- * **Ecosystems that require different levels of engagement are not receiving timely and specialized support:** There are too few top-down and bottom-up examples of successful platforms, and there is poor coordination between them.
- * **A lack of tools and infrastructure to enable base-of-the-pyramid enterprise and ecosystem development:** Few incentives exist for any actor to come in as a convener and enabler of an ecosystem. The business case has not been established.

Recommendations and Potential Roadmap Initiatives

The group identified the following potential initiatives in order to improve BoP ecosystem development:

▫ **Build local and regional task forces to strengthen inclusive business ecosystems.**

It will be critical to make a clear case for why a sector needs to come together to achieve higher returns for each of the individual actors. This involves the following elements:

- *Find commonalities and avoid overlaps.*
Efficiency can be achieved by identifying and eliminating initiatives and platforms that are redundant in scope.
- *Aggregate efforts.*
Create a platform to coordinate collaboration within and across parallel ecosystems.
- *Align objectives.*
Ensure the intended long-term results are achieved by prioritizing strategies and agendas.
- *Summarize lessons learned within a community of practitioners.*
By building a repository for important lessons, the trap of making the same mistake twice can be avoided.
- *Define standards and indicators.*
By understanding metrics that define well-functioning ecosystems, others can benefit.
- *Raise awareness from the top down.*

▫ **Shift focus towards long-term support of BoP ecosystems.**

Focus has to move towards developing BoP ecosystems with a long-term viewpoint in mind. Such an initiative would involve the following elements:

- *Identify enterprises with vested interest to provide leadership.*
A crisis of leadership exists in underdeveloped ecosystems. It is important to find those who have a fundamental interest in establishing a sustainable ecosystem.
- *Avoid fragmented, short-term initiatives.*
A task force must be robust to withstand challenges posed by government and policies. Though faced with an environment that favors execution, it is still necessary to secure long-term buy-in from investors or donors, which could then help foster a long-term vision and a sustainable ecosystem.
- *Strategic coordination between donors and investors.*
Communication and understanding are essential to an effective collaborative effort.
- *Develop trusted, high quality service and input providers.*

Building Institutions to Facilitate Enterprise Growth

Prepared by: Stuart L. Hart (SLT), Ekta Jhaveri, Megan Levanduski

Context

Different actors working with a common goal must move from competition to convergence in order to see growth in BoP ventures. The actors, or institutions, in this network need to be better connected to each other in order to provide BoP ventures more time to develop, as well as decrease the risks and high opportunity costs often associated with doing business with the BoP. The actors in this ecosystem must stop viewing everything as competition, and instead work together to share risks, assessments, and investments in ways that are “win-win” situations.

The key constituents of the ecosystem which are considered important for the success of the BoP venture include: entrepreneurs, financiers, donors, facilitators, policy-makers, multinational corporations and local partners.

- *Entrepreneur* - person who organizes, operates, and assumes the risk of a business venture. The role of entrepreneurship in the social enterprise space has evolved; entrepreneurs are considered to be one of the most important constituents of the ecosystem.
- *Financiers* - includes entities such as venture capital firms, private equity, and impact investors. They play a critical role as they provide much-needed financing for the BoP venture.
- *Donors* - includes multi-lateral and bilateral organizations, philanthropic organizations, and foundations.
- *Facilitators* -includes institutions that provide access to resources, expertise, and mentorship. Facilitators often play a key role in getting ventures off the ground.
- *Policy* - include local and national governments as well as international organizations. Policy actors can set favorable conditions for investment in a country or region and address market failures, but they can have negative consequences and impacts as well.
- *Corporations* - Corporations, especially MNCs, can help bring BoP ventures to scale by leveraging their resources and networks.
- *Partners* - include existing local actors and institutions, either ventures or NGOs, that are most connected to what is happening in the BoP in specific communities.

Objectives

- 1.) Explore opportunities and challenges in building networks connecting BoP ventures.
- 2.) Identify successes and challenges in training BoP entrepreneurs.
- 3.) Discuss strategies for capturing and sharing lessons learned.
- 4.) Debate the best approaches for future institution building in this domain.

Strengths & Opportunities

Entrepreneur

- * **Strong understanding of issues and market :** Local partners have the best understanding of the needs of the BoP in a community, and what potential challenges and opportunities may exist for institutions looking to engage.
- * **Embedded in community:** Local partners have knowledge of and access to the actors in a community that other institutions want to leverage.
- * **Tend to be more humble and less territorial:** Local partners have knowledge and networks that larger institutions need to work with the BoP, but local partners can't scale up successful ventures on their own. In order to reach as much of the BoP as possible and focus on a common goal of poverty alleviation, local partners can work with other institutions to replicate and scale projects to have a greater impact.
- * **Willing to share learnings:** Local partners have a wealth of knowledge that they can share with other institutions that could be used in other similar contexts.
- * **Focusing on the right-type of entrepreneurial ventures:** It is important to distinguish between opportunity-driven entrepreneurship and necessity-driven entrepreneurship. It is the former type that is going to be more successful in creating ventures that actually make an impact in life of the BoP. It is also important to keep in mind that there are a wide range of entrepreneurs ranging from once-in-a-while to serial entrepreneurs.

Financiers

- * **Increase in impact investing:** Despite the absence of venture capital and PE funding in the BoP space, there has been an increase in impact investing. The international impact investing activity has been on a consistent rise despite these investors lacking knowledge of the local markets.
- * **Some coordination amongst financiers:** When financiers talk and coordinate their investment-making, the "pioneer gap" problem can be effectively solved. In particular, origination managers or funders need to be identified that can fund ventures in the critical early stages and the later funding can be undertaken by the remaining financiers.
- * **Opportunity to invest in key industries:** Investments should increasingly become oriented towards key sectors (e.g. infrastructure, energy) that are critical for delivery.

Donors

- * **Larger availability of capital:** There is an availability of a large amount of capital from donor groups, as well as a deep-rooted commitment to investing in the BoP and development space in general.
- * **An opportunity to change operating strategy:** Addressing the limited supply of money requires donors to become more catalytic than implementation-oriented. They need to co-exist and co-invest with partners like the private sector and efforts should be made to involve the local government in early stages of funding. Coordinating efforts of the financiers, donors, private sector, and local government can address the "pioneer gap" issue. Donors and local governments should take the responsibility of early stage funding with financiers and private sector taking care of the later stages. Subsidies can be used in early stages after which the commercial sector can play an important role.

Facilitators

- * **Use of technology and management systems:** Facilitating agencies often use Management Information Systems (MIS) to disseminate knowledge.
- * **Greater coordination and collaboration:** Facilitators have an opportunity to devise an integrated approach to help BoP ventures take-off. This requires coordination and collaboration through knowledge sharing events.
- * **Act as brokers in making connections between people:** Facilitating agencies can network and connect people. Such connections can go a long way in terms of getting access to the expertise and talent at the right place and time.
- * **Become more effective in human resource management:** Facilitators can help connect resource talent to organizations. There is a dearth of talent in the BoP space and finding the right talent can prove to be very time consuming and costly for BoP ventures.

Policy

- * **MDC's influence for change in LDC's:** Large actors, such as the US or Japan, have the opportunity to provide a lot of resources. If developed countries make it a priority to engage with the BoP, they can influence developing countries to create policy incentives that are more favorable to operating with the BoP.
- * **Develop supportive policies:** Not all policies are harmful. Some policy innovations can promote growth and eliminate barriers to working with the BoP. For example, policy actors can help de-risk investment, similar to how governments subsidize R&D in risky industries.
- * **Provide a voice to the BoP:** Governments can work well at addressing market failures, and provide a voice to the BoP that otherwise might be overlooked.
- * **Exploit existing policies:** In many instances, policy innovations favorable to investing in the BoP already exist, but policies are not being used either due to a lack of knowledge or a lack of resources to implement. Institutions can identify these policies and use them better to their advantage.
- * **White snare lobby:** Institutions can encourage or put pressure on governments to develop the white snare that is

Corporations

1. **Committed partners:** Corporations are not likely to back out of a commitment or contract and thus other institutions can be confident that a corporation will come through on promised resources or deliverables.
2. **Provide knowledge related to venture development:** Corporations have knowledge on challenges and solutions that a BoP venture is likely to face and can provide support and training to a venture from lessons learned.
3. **Leverage existing partnerships:** Corporations have existing partnership with other institutions, such as funders, NGOs, or governments, which they can leverage on behalf of BoP ventures.
4. **Ability to scale:** Corporations can leverage networks, resources, and capital to help BoP ventures scale in a way that wouldn't be possible otherwise. Corporations also have extensive experience in scaling and are best suited to help BoP ventures with this challenge.
5. **Create internal and external whitespaces :** As BoP ventures may take longer to scale, or may be high-risk during the early stages of investment, a corporation can help BoP ventures by creating whitespace to protect this investment, the same way a corporation would protect other types of innovation.

Partners

1. **Understanding of issues and market:** Local partners have the best understanding of the needs of the BoP in a community, and what potential challenges and opportunities may exist for other institutions looking to operate in that space.
2. **Embedded in local community:** Local partners have knowledge of and access to the actors in a community, such as entrepreneurs, that other institutions want to leverage.
3. **Tend to be more humble and less territorial:** Local partners have relevant knowledge and networks, but don't necessarily have the opportunity to scale successful ventures on their own. In order to reach as much of the BoP as possible and focus on a common goal of poverty alleviation, local partners can work with other institutions to replicate and scale projects to have a greater impact.
4. **Share learnings:** Local partners have a wealth of knowledge that they can share with other institutions that could be used in other similar communities or contexts.

Challenge:

Entrepreneur

- * **Over-emphasis on entrepreneurship in the BoP space:** There is a false notion that everything in BoP has to be of an entrepreneurial nature and that enterprise is going to solve all the problems of the BoP. Further there is another false notion of the poor being natural born entrepreneurs. Entrepreneurship is oversold in the BoP space. This overemphasis on entrepreneurship has led to overlooking one of the most important tools that can solve development problems, that of job creation. The poor care more about getting a job than creating a venture to earn a living.

Financiers

1. **Lack of traditional capital:** Local capital is underappreciated and not effectively leveraged in the BoP space. Local capital providers generally have the market insight and capabilities to operate in local markets.
2. **Pioneer Gap:** A common problem faced by enterprises is the lack of availability of capital at the beginning of venture development. The appetite for investment increases at later stages, which leads to many promising ventures not taking-off or losing momentum midway.
3. **Lack of coordination:** There is very little coordination between different types of money available. And this issue is huge amongst the various types of financiers.
4. **Investing in verticals:** Experience has shown that foreign investors who invest lack local knowledge in terms of the key industries to invest in. There is an absence of thorough due diligence.

Donors

- * **Capital is not unlimited:** Capital is ultimately a limited resource. Donor capital in particular is not sustainable and donors may not be structured to provide the right type of funding to BoP ventures.

Facilitators

1. **Lack of an integrated approach:** There is little coordination amongst the facilitating agencies. In fact, there is maybe more competition than coordination in the space.
2. **Overpromise and under deliver:** Agencies have a tendency to project higher expectations which many a times can be unrealistic and unattainable given the time and resources at hand.

Policy

1. **Perverse incentives** – Many policy makers are concerned with keeping their position, often through elections. This makes them vulnerable to special interests and thus they may not be incented to address the concerns of BoP stakeholders.
2. **Lack of signaling** – There is a lack of coordination between the private and public sector in many areas. Some countries have created policies to support BoP investment, but there may not be the knowledge, skills or capability in the private sector to match the goals of a policy.
3. **Corruption** - It is difficult to encourage institutions to invest in countries with corruption and a lack of good governance because of the risk and high cost of doing business.
4. **Harmful policies** - These vary by country, but certain labor codes or land tenure, for example, can make it difficult for BoP ventures to operate.

Corporations

1. **Inflexibility in organizational structure** - BoP ventures require flexibility that a large corporation may not be used to providing, as a corporation is driven by standardized structures and systems. BoP ventures do not always fit in to this pre-prescribed system.
2. **Challenges with metrics and time horizons** - BoP ventures can take much longer to develop than other ventures because the value chains often don't exist, and have to be created from the ground up. Many times, however, corporations impose unrealistic metrics and timetables on a BoP venture.

Partners

1. **Not coordinated, many voices** - There are often many actors in a community or region that are competing with each other instead of cooperating together. The need to expand BoP ventures is strong enough to provide space for all these actors if they stopped competing for the same resources and instead coordinated their activities to have the broadest reach possible.
2. **Little flexibility** - Local partners may have specific goals or business models that differ from other institutions, and if they want to leverage partnerships with other institutions, they will need to compromise.

Recommendations and Potential Roadmap Initiatives

The group identified the following potential initiatives in relation to BoP institutional development:

- **Develop an integrated BoP white space.**
Create an “integrated white space model” by including all stakeholders. Take the integrated model and turn it into a step by step project for each sub segment of the BoP.
- **Develop a BoP institutional working group.**
Develop a charter and reconvene a working group on this topic with an expressed objective for public output such as white paper, blog, website, collaborative “white space” pilot.
- **Develop an integrated and coordinated approach to supporting BoP ventures.**
Develop an integrated mindset among the various players that leads to coordinated actions with the aim of improving success rate of BoP ventures. Identify champions in each organization and have them join forces as a Board of Directors that brings its strengths and takes back its learnings to further the BoP initiative.
- **Develop a BoP conceptual map to enable better partnerships.**
Create a model that serves as a conceptual map for all stakeholders to understand before they start reaching out to form partnerships for their BoP entrepreneurial projects. Create a file of case studies that demonstrate how specific multi-stakeholder partnerships have succeeded and/or failed.

- **Develop a multi-city venture lab in East Africa.**
Establish a 4-city venture lab institute in East Africa in partnership with leading local entrepreneurs and families. And turn the MoUs into contracts.
- **Create a coalition around specific market development opportunities**
Have a coalition of the willing convene around one specific market development opportunity where participating institutions can bring their assets to the table.

Agriculture: Best Practices, Major Roadblocks, and Next Steps

Prepared by: Simon Winter (SLT), Yamile Acevedo Guerrero, Manav Sawhney, Emily Taylor

Context

With an estimated 450-500 million smallholder farmers, the Agriculture sector is poised to have a huge potential impact on the BoP, specifically through achieving poverty reduction and improving resilience. Despite successful projects, stories, and the emerging best practices in this field, there is a wide gap that must be filled before efforts can be replicated at a scale relevant to BoP farmers.

Objectives

- 1.) Better understand of the opportunity to create sustainable and scalable models that serve producers, especially low-income farmers, in BoP markets.
- 2.) Explore key challenges in building viable BoP agricultural models.
- 3.) Identify next areas of reach and investment on agricultural markets for the BoP.
- 4.) Explore key strategies needed to enhance efforts to serve low-income producers.

Strengths & Opportunities

- * **Middle class growth driving consumer demand for agriculture products:** The growth of the middle class around the world is driving consumer demand for the agricultural goods market, creating increased income opportunities and expanded markets for smallholder farmers.
- * **MNC and consumers emphasizing sustainable sourcing and agriculture:** Consumer demand through multinational corporations is emphasizing sustainable sourcing and agriculture. Companies like Coca-Cola, Unilever, Nestle and Syngenta are making public commitments to source more sustainably.
- * **The development of new, successful BoP agriculture business models:** Successful agriculture development models illustrate the exciting opportunities that exist in this sector. For example, the One Acre Fund (OAF) uses a direct-to-farmer extension and financial services model that is adaptable to the local context or geography. This customization, though requiring considerable investment of time and resources, is critical to the success of replicative efforts.
- * **Leveraging partnerships to enable success:** Partnerships can be an important tool deployed to achieve the relevant “embeddedness” and drive behavior change in the local context, and has proven successful for Coca-Cola, for example, in their relationship with TechnoServe to integrate local expertise and drive socio-economic impact through the company’s local supply and distribution chains. Seemingly a daunting task, the scale of their operations unlocks Coca-Cola’s huge potential for positive impact.
- * **Innovation opportunities in financing:** Innovation in financing continues to be a source of opportunity as commercial and social lenders and impact investors, together with capacity development providers experiment with more flexible loan and financing options for producers and enterprises. OAF, for example, supports farming input shops to offer asset-based financing and loans targeted to farmers, based on access to weather and expected harvest time information that can more accurately help producers manage their cash flow.

Challenges

- * **Scaling operations is critical yet difficult:** Practitioners understand the need to develop locally-relevant and contextual approaches to agriculture development initiatives. This emphasis often comes at the expense of learning from other successful models and determining what “extendable” attributes or components are transferable in a new context and what must be adapted before replication. This tension between adjusting to local contexts and scaling successful models outright is difficult to manage and can be a thorn in successfully replicating and scaling venture models with the BoP.
- * **Managing the local context and a complex range of support services:** Beyond adapting to local or geographical context, organizations operating in this space need to provide a complex range of services to small farmers while ensuring the business models for doing so align with individual organization’s strategic visions and internal goals and can be resourced on an ongoing basis.
- * **Developing holistic supply chain approaches:** Success in driving impact for multiple stakeholders in a particular supply chain will require comprehensive, holistic approaches (e.g. from input provider through aggregation, storage and processing to distribution to consumer). Addressing one link in a supply chain without unlocking bottlenecks in adjacent links will limit the impact achieved. Bringing best practices and lessons learned to bear along the entire chain can magnify the impact throughout.
- * **Misaligned financing and capacity development:** While the promise of innovative financing approaches is evident, there are still substantive gaps between what investors and lenders need to see to deploy capital and the absence or nascent nature of the business organizations engaged in by the majority of small farmers. Creating stronger alignment between financiers and capacity development funders and practitioners can close the gaps.

Recommendations and Potential Roadmap Initiatives

The group identified six key opportunity areas to advance the BoP in the agriculture sector. While the six themes were all identified as critical issues that needed attention, the group selected the first two initiatives as those that were the most worthy of advancement.

□ Developing mobile related products and linking to mobile network operators (MNOs)

Information and communication technologies (ICT) have a lot of potential in the agriculture sector but haven’t yet been developed to capture their full potential. There are currently examples of MNOs and other organizations using ICT to provide financial services for smallholder farmers, but they are limited. In addition, there are a number of other services that could be offered such as weather reports, technical assistance, and other financial services beyond mobile money but their business models have yet to prove commercial viability.

Though the problems illustrated showed some of the limitations that ICT is having in penetrating the entire BoP agricultural sector, there are several ways to advance the objectives of ICT technologies in farmer communities. An initial inventory and assessment of current initiatives and successful platforms could be pulled together, prior to determining a range of examples to be evaluated, to help identify emerging best practices and provide a base for improved information sharing. For example, GSMA’s “mobile for development” initiatives are providing proof of concepts in business models, and can be used to enhance adoption rates of mobile and other ICT. This would be tied in with other engagements with financial institutions, MNOs and entrepreneurs. The intention would be to complement and round out, as opposed to duplicate, the collective efforts of other organizations in this area.

To understand what has worked well in other communities/countries/business situations, a broad information sharing and learning community needs to be developed to review and evaluate best practices and lessons from what did and did not work in particular situations and how best to adapt it to local context. Varied and diverse examples were mentioned, including Azoona from Zambia, SmartMoney from Tanzania and GSMA's mFarmer initiative. The way to do this would be through building a pre-competitive network of the existing and emerging learning and sharing communities.

The next step would be to tie in the donors, facilitating engagement in the knowledge sharing activities. A strategic staircase should be developed with a broad range of donors, MNOs, entrepreneurs and practitioners for the next 3, 5 and 7 years for the broader strengthening of business models that enhance adoption of ICTs in the agriculture sector. The strategy and supporting knowledge could be used by key donors and associations to launch new rounds of competitive opportunities to drive further innovation and testing.

□ **Fund for replication and adoption of successful innovations, supported by case “library”**

A potential initiative that emerged was a fund for replication and adoption of successful innovations, supported by a case “library” that documents emerging successful models and analyses their linkages to the broader eco-system for agricultural development. The lack of replication of successful agriculture business models in other places or industries because of missing information was identified as a critical challenge. A solution to this challenge is to create a knowledge pool of what has (and has not) worked, and stimulate organizations to borrow the models and extend them to other contexts. It is important to go beyond descriptive information in the “library”, and develop tools and approaches that can foster successful replication of the innovations.

The replication fund should be anchored in established organizations (e.g. Grow Africa) that have strong relationships with country governments and good funding sources. These organizations have local knowledge of investors, policies, entrepreneurial activities and can pin-point need for such replication efforts. These and other organizations (e.g. WDI) should also be encouraged in taking the lead to house this effort, and elicit support from other volunteer working groups/organizations.

The next step would be to develop a project concept document with proposed ideas, processes and vision and to then pitch it to potential partners (e.g. WBSCD Food Security Platform). It was recommended to initially focus on one country, based on criteria to be agreed, to frame how the replication fund would work. The local government would need to support identified needs for regulatory and policy change.

This would be followed by the development of a detailed roadmap broken up into two phases. The first phase would involve the collection of existing case studies and the creation of a master list for potential replication. The second phase would involve the development of new cases to complete and flesh out the library (and allocation of some funding to support this), especially in identified areas where there is little pre-existing information. There would be an established panel of experts that would help screen top cases to maintain quality and relevancy. The combined set of cases would fuel the replication fund process that would follow. Other potential initiatives that were discussed include:

- **Food and nutrition security, especially staple crops**

There is concern about how successful market-led initiatives in the agriculture sector were often built around commodities produced for cash, and improved productivity of staple crops, without looking at consumers' preferences for such products in local, regional, or national markets. An important challenge of the sector is how to successfully move away from the dichotomy between niche/high-value exports and staple crops for national consumption. In addition, it is important to include market-oriented approaches that improve the nutritional value of food for local markets, such as the partnership between Partners in Food Solutions and TechnoServe, when talking about staple foods.
- **Platform of platforms for agriculture, food, and nutrition sector**

Another important challenge in the sector is the limited coordination between meta-organizations to share information on best practices and measurements to determine the impact and outcomes of different business models in different contexts. There is concern about the about the lack sufficient cooperation or visibility between the growing number of platforms (including, for example, the World Economic Forum's New Vision for Agriculture, the G8's New Alliance for Food and Nutrition Security and the Global Agriculture and Food Security Program), which limits the sharing and replication of successful models. Metrics were identified as a key area where meta-organizations should concentrate coordination efforts, to allow a standardized dialogue around the performance and impact of BoP venture models. Strengthening coordination to establish common or "convertible" comparison metrics and measurement frameworks should be a priority in agriculture to ensure the many actors in this space can compare outcomes and identify and promote best practices.
- **Long-term commodity crop models for smallholder farmers**

The long-term viability of smallholder farmers as a class of producers was considered a critical issue in need of attention. There is concern around concentrating efforts in sustaining the smallholder business model, with the possibility that it could be unviable in the future – especially for the production of staple food commodities. The question in this case would be how to make smallholder farmers reach economies of scale while staying sustainable, and a possible answer could be to help them emphasize production of niche/high value crops where IP can be identified and form part of the crop value.
- **Branded IP/high-value opportunities for smallholder farmers**

There is a challenge of how to take advantage of niche/high value crops to increase the bargaining power of smallholder farmers. Branded products could be envisaged where farmers' obtain and can exploit distinctive and protected IP to realize greater value in global markets. As mentioned previously, it is important to walk away from strong dichotomies between business models as smallholder farmers could benefit from mixing niche/high value crops with commodities and staple crops.

<http://wdi.umich.edu/bop-roadmap>



William Davidson Institute
AT THE UNIVERSITY OF MICHIGAN