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A Base-of-the-Pyramid Perspective on Poverty Alleviation

Working Paper

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¹ For more information, please visit www.growinginclusivemarkets.org.

ABSTRACT

While interest and debate about the base of the pyramid (BoP) as a poverty alleviation perspective is growing, most of the current research has focused on business strategies for organizations interested in exploring these markets. Indeed, a deep exploration of the unique poverty alleviation implications of a BoP perspective has lagged. With a growing number of organizations from the development, non-profit, and private sectors claiming to incorporate BoP ventures as part of their portfolio of activities, this gap in our knowledge is increasingly untenable. The purpose of this paper is to review the existing literature on the BoP and put forth a set of principles that distinguish the BoP perspective from other poverty alleviation approaches. These principles also provide insight on when a BoP perspective is most effective and how it can complement other poverty reduction efforts.

A Base-of-the-Pyramid Perspective on Poverty Alleviation

Since its initial articulation (Prahalad & Hammond, 2002; Prahalad & Hart, 2002), interest in a base (or bottom)-of-the-pyramid (BoP) perspective on business strategy and poverty alleviation has continued to grow. There have been several major conferences on the topic and a growing number of authors and researchers are using the term BoP in their writings (Hart, 2005; Hart & Christensen, 2002; London & Hart, 2004; Prahalad, 2004; Rangan, Quelch, Herrero, & Barton, 2007). More importantly, interest in supporting the development of BoP ventures is also occurring in the field (see Table 1). These ideas are crossing sectors, as organizations in the private, non-profit, and development communities are interested in applying BoP ideas to their new initiatives (Gardetti, 2007).

Interestingly, while much debate and most of the writings on this perspective have centered around who is in the BoP (Hammond, Kramer, Katz, Tran, & Walker, 2007) and how BoP ventures need fundamentally new market entry strategies (Hart, 2005; Hart & London, 2005), a deep exploration of the poverty alleviation implications has lagged (London, 2007b). What has not yet been fully articulated is how this perspective differs from other market-based poverty alleviation approaches, and thus, how its poverty alleviation outcomes may be different. Indeed, to give credence to the BoP perspective's claim of having unique poverty alleviation implications, we must explore the core components of this approach and understand how they differ from other market-based poverty reduction efforts (Walsh, Kress, & Beyerchen, 2005).

As such, the purpose of this paper is to review the existing literature on the BoP and identify a set of principles that distinguish the BoP perspective from other poverty alleviation approaches. These principles also provide insight on when a BoP perspective is most effective and how it can complement other poverty reduction programs.

Insert Table 1 about here

Why a New Perspective on Poverty Alleviation?

Two important trends, in particular, are fueling interest in a base-of-the-pyramid perspective on poverty alleviation. First, the development sector is coming under increasing pressure to explore new approaches to reducing poverty. Second, a growing number of private sector and socially-oriented organizations are viewing the poor's unmet needs as untapped market opportunities.

The condition of the world's poor is the subject of growing attention. Global poverty is seen as both an unacceptable outcome of the current economic system and a threat to commerce and security in the wealthier nations. Indeed, globalization benefits have been lopsided; there have been clear winners and losers (Soros, 2002). The gap between the rich and poor continues to grow, sowing the seeds of discontent and frustration in both the developed and the developing world (Hammond, 1998; Stiglitz, 2002). The voices of the disenfranchised are increasingly reaching the developed world, generating greater pressure to create a more inclusive system of capitalism that better responds to the needs of the poor (Hart, 2005). Furthermore, while terrorism may not be conducted by the poor of the world, combating terrorism requires not only new military tactics, but also revised economic development approaches (Byrd, 2006). Marginalized individuals and groups have little incentive to support the current global economic system. As Sachs (2005) suggests, fighting terrorism also requires fighting poverty and human deprivation.

This growing imperative to address poverty has led to a number of new broad-based proposals from the developed world. Some remain interesting ideas (Lodge, 2002; Soros, 2002). Others, including the United Nations Millennium Project and the associated Millennium Development Goals, the Millennium Challenge Account, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria, are underway. While these initiatives set out ambitious targets and provide access to funding, the implementation is typically left to existing development agencies.

With this increased attention directed at improving the conditions of the world's poor, aid agencies are also facing greater scrutiny as to the effectiveness of their poverty alleviation efforts. While they offer different prescriptions for moving forward, prominent development scholars as such Jeffrey Sachs, William Easterly, Robert Chambers, and Amartya Sen are united in their concerns about the present state of poverty alleviation strategies adopted by the development community (Chambers, 1983; 1997; Easterly, 2005; 2006; Sachs, 1998; Sachs, 2005; Sen, 1999).

Easterly (2006), for example, notes that after nearly 60 years and more than \$2.3 billion, an aid industry based on donations and grants continues to generate disappointing results, in part because incentives are misaligned. Sachs (1998; 2005) supports an approach of targeted donations to catalyze longer-term market-based solutions and recommends that developed countries increase their level of financial commitment, focus the majority of their resources on lifting the poorest of the poor onto the first rung of the economic development ladder, and harmonize these aid efforts around the Millennium Development Goals. Chambers (1983; 1997) emphasizes that the voices from below must be incorporated in development agency plans and that the elites funding these programs must take the time to sit, listen and learn from the poor. In

similar fashion, Sen (1999) suggests that we need a much deeper understanding of the multi-dimensional nature of poverty and that the poor must be active agents in its alleviation.

Indeed, both the World Bank and the United Nations have recognized that the poor must be participants in the design of a more inclusive process of economic development. The World Bank has emphasized the importance of making markets work for the poor and the need for those in poverty to actively contribute in this process (Narayan, Patel, Schafft, Rademacher, & Koch-Schulte, 2000; The World Bank, 2001). Similarly, a high-power commission convened by the United Nations recognized that top-down, grant-based poverty alleviation approaches were not sufficient. The Commission on the Private Sector and Development (2004) recommended that future development programs should place greater emphasis on market-based approaches, particularly those that incorporate multiple viewpoints in their design

In addition to growing pressure on the aid industry to explore new approaches, a second trend is also leading to a greater focus on the role of markets in addressing poverty. The poor are not well served by the private sector; they are often ignored and lack access to many goods and services. Furthermore, even when their needs are met, they tend to pay more for the same products than the rich. This applies both to the poor in developed countries (Fellowes, 2006) and in the developing world, where the poor may pay ten to fifty times more for water, medicine or credit than their geographically-proximate wealthier counterparts (Prahalad & Hammond, 2002). These market failures, however, are also potential business opportunities. Indeed, this is a core assumption in the BoP perspective. Private sector and non-profit initiatives, though, may approach these market opportunities in different ways.

Private sector firms are continually searching for new business opportunities. Developed world markets are expected to grow at an average annual rate of less than 3.0% over the

foreseeable future. With stock market and other investors typically demanding double digit returns, few organizations are likely satisfied with this modest level of projected growth. Additionally, with the arrival of new competitors and new technologies, these already saturated markets are becoming more and more competitive (Hart & Christensen, 2002). This means firms must broaden their search both for new markets to increase revenues and for new sources of supply to reduce costs. This has led to greater attention on opportunities in emerging markets that are further down the economic pyramid (Dawar & Chattopadhyay, 2002; Hart & Milstein, 1999; Prahalad & Lieberthal, 1998). Unlike corporate philanthropic efforts often funded through corporate social responsibility departments, however, these initiatives are expected to generate economic returns to the investing organizations.

Non-profits and other socially-oriented organizations are also increasingly exploring ways to apply business-oriented approaches to achieve their missions. A growing number are adopting business tools and techniques that increase the effectiveness and financial sustainability of their poverty alleviation initiatives. Others are going further and implementing approaches that generate profits that allow them to scale their impacts to new populations and regions (Bronstein, 2004; Yunus, 1999). As compared to corporate initiatives, these latter efforts may accept more modest financial returns, while still expecting the venture's profits to enable scalable positive societal outcomes.

For any organization or sector, change is difficult. Yet, the intersection of these two drivers – the growing interest in exploring new poverty alleviation approaches and the increasing appreciation of a larger role for market-based ventures in serving the needs of the poor – offers the potential to align strategies and incentives across sectors and organizations that typically have not collaborated (Brugmann & Prahalad, 2007; London & Rondinelli, 2003).

Market-oriented approaches require a continual search for new customers and new suppliers and are premised on generating scalable growth. Development sector initiatives are confronted with the challenge of having to serve too many “customers” and increasing pressure to expand their impact. This results in the intriguing idea that business-oriented motivations of growth and profits can potentially be aligned with the development community’s efforts to scale their poverty alleviation efforts. This alignment between profits and poverty alleviation is a key relationship at the heart of a BoP perspective (Prahalad, 2004).

What has been claimed, but not well articulated in the BoP literature, are the unique poverty alleviation implications of a BoP perspective. Indeed, there are a number of other aid-funded, market-based approaches to poverty alleviation, including micro-finance, micro-, small-, and medium-scale enterprise development assistance, value chain, and enabling environment programs. A key unresolved issue is whether a BoP perspective on poverty alleviation offers any new insights as compared to other market-based poverty alleviation approaches. To appropriately explore this issue, however, it is important to first define the term base of the pyramid.

What is the Base of the Pyramid?

In the seminal articles on the base of the pyramid (Prahalad & Hammond, 2002; Prahalad & Hart, 2002), the global population is divided into segments based on purchasing power parity (PPP) (Prahalad & Lieberthal, 1998). PPP is a measure that equates the price of a basket of identically traded goods and services across countries, providing a standardized comparison of real prices.

Much debate has recently centered on the appropriate PPP threshold that best captures the size of the BoP population. In fact, different BoP authors have articulated different PPP lines, ranging from \$1500 to \$2000 per annum to \$1 or \$2 (Mendoza & Thelen, 2007; Prahalad, 2004; Prahalad & Hammond, 2002; Prahalad & Hart, 2002). This inconsistency has not gone unnoticed (Karnani, 2007). In an effort to address this issue, the World Resources Institute (WRI) conducted two studies to better understand the size and aggregate purchasing of the BoP. One was in collaboration with the International Finance Corporation (IFC) and the other was conducted with the Inter-American Development Bank (IDB).

In these studies, WRI and its partners use \$3,000 PPP in 2002 U.S. dollars (or \$3,260 when adjusted to 2005 U.S. dollars, as reported in the WRI/IDB report) as the annual income threshold that defines those at the base of the pyramid. While these reports do not fully explain why \$3,000 PPP was deemed the appropriate threshold, they do offer interesting insights into the market at the BoP. Indeed, WRI's study with the IFC takes a global perspective and identifies nearly 4 billion people at the BoP across Africa, Asia, Eastern Europe, and Latin America and the Caribbean (Hammond et al., 2007). Using data from household consumption surveys, the report estimates total annual household income at the BoP at \$5 trillion PPP (or \$1.3 trillion when adjusted for U.S. dollars). In its study with the IDB, WRI also relies on household survey data to examine the BoP in 20 countries in the Latin America and Caribbean region (World Resources Institute, 2006). This report finds that the BoP population in these countries totals 361 million and that these individual have an aggregated annual income of \$510 billion.

While gaining a better understanding of the landscape of the BoP market is critical, relying on specific PPP income levels to separate the global population into different segments is relatively arbitrary. Instead, PPP measures are best viewed as empirical approximations that

attempt to capture the essence of the definition of the BoP, as opposed to exact measures. This is similar to the debate on defining absolute poverty, where \$1 and \$2 per day are often used as approximate measures of this human condition (Chen & Ravallion, 2001; Ravallion, Datt, & van de Walle, 1991). Conventional wisdom, however, recognizes that poverty is a multi-dimensional construct, of which income is only one indicator (Sen, 1999). In defining the BoP, as in defining poverty (Blackwood & Lynch, 1994), a universally acceptable empirical definition is elusive.

More importantly, what this debate demonstrates is that the BoP is not a homogeneous segment within or across countries (Dawar & Chattopadhyay, 2002; Mendoza & Thelen, 2007). An important contribution of the WRI/IFC report is that it divides the BoP market into \$500 PPP income increments that are shown to have markedly different characteristics. One key implication is that business strategies and poverty alleviation efforts must recognize different segments within the BoP and adjust their approaches accordingly, depending on which portion of the BoP they are trying to serve. This aligns with Sach's (2005) view that those at the very bottom, the poorest of the poor, need targeted support.

As such, a specific PPP level, while a potentially useful empirical measure, is not an appropriate definition for the base of the pyramid. Rather, a better definition recognizes the BoP as a population that primarily lives and transacts within the informal economy. Indeed, a defining characteristic of those at the BoP is that they are not integrated into the formal global economy (Hammond et al., 2007). This aligns with the majority of the BoP literature, which focuses on exploring business development in the absence of a "Westernized" market environment that is characterized by legally recognized boundaries, enforceable contracts, and property rights protection (London & Hart, 2004).

This view also builds on Hernando de Soto's (2000) important work, in which he describes how the vast majority of the world's population is excluded from the predominantly western global capitalist system. The poor, while possessing substantial amounts of unregistered assets and entrepreneurial talent, operate in an extralegal environment in which property rights are not officially recorded and contracts and other agreements lack legally enforceable mechanisms. In most developing countries, in fact, the informal economy, most of it perfectly legal, accounts for a substantial portion of the current economic activity (Schneider, 2004; Schneider & Enste, 2000). Due to the cost, complexity and unfamiliarity of transitioning to the formal economy, most transactions and business activities conducted by the poor are likely to remain in the informal economy, at least for the foreseeable future.

In sum, this leads to the following definition: The **base of the pyramid** is a term that **represents the poor at the base of the global socio-economic ladder, who primarily transact in an informal market economy.**

A BoP Perspective on Poverty Alleviation

At its core, the BoP perspective relies on a hypothesis of mutual value creation; the greater the value created for those living at the BoP, the greater the value created for the venture.² Indeed, BoP ventures are expected to generate acceptable economic and societal returns to the organization investing in the venture and the local community in which they operate (Hart & Milstein, 2003; London & Hart, 2004; Wheeler et al., 2005). Clearly, this hypothesis, if supported, has implications for both business strategy and poverty alleviation. However, perhaps because these ideas were initially framed as a business opportunity (i.e. *The*

² Whether a BoP perspective actually generates positive poverty alleviation outcomes is a crucial complementary question. Work on this issue is underway (London, 2007b) and some of the key concerns are presented later in the paper.

Fortune at the Bottom of the Pyramid), the business strategy side of this perspective has dominated the discourse.

According to the BoP literature, a BoP venture is a revenue generating enterprise that either sells goods to, or sources products from, those at the base of the pyramid in a way that helps to improve the standard of living of the poor (Prahalad & Hammond, 2002; Prahalad & Hart, 2002). These two orientations can be termed “BoP as consumer” and “BoP as producer,” respectively (Rangan et al., 2007), and a specific BoP venture can adopt either, or both, approaches (Anupindi & Sivakumar, 2007). While BoP-as-consumer and BoP-as-producer ventures are likely to have different poverty alleviation outcomes (Leonard, 2007), they are based on the same core principles.

Indeed, as a poverty alleviation approach, the BoP perspective relies on the view that serving markets at the BoP is an economically viable business strategy (Prahalad & Hammond, 2002; Prahalad & Hart, 2002). As such, this market-based perspective differs from grant-based poverty alleviation programs, as the goods and services provided by the venture are not free of cost. This does not preclude those at the BoP from receiving a subsidy to purchase from or sell to a BoP venture. Indeed, the issue of subsidies is discussed in more detail later in this paper. The BoP venture, however, must generate sufficient revenues to more than cover its costs (Prahalad, 2004).

Still, market-based approaches to poverty alleviation are not new. Indeed, micro-finance initiatives have provided modest-sized loans to small local businesses for several decades (Chu, 2007; Yunus, 1999). Furthermore, aid agency programs providing managerial and technical assistance to micro-, small- and medium-scale enterprises have been a hallmark of development

assistance for many years.³ More recently, value chain initiatives have emphasized raising the competitiveness of entire industries, and enabling environment programs have targeted policy reforms to transition informal market activities to a more “Western” legal and regulatory business environment within a specific country.⁴

Furthermore, companies continue to make voluntary investments of financial, managerial, and technical resources to address specific poverty alleviation issues (Dunfee & Hess, 2000). These directed philanthropic efforts come through the companies’ corporate social responsibility (CSR) or other humanitarian programs and may support the development of some revenue generating activities. These revenues, however, are collected by third-party partners and not returned to the companies.⁵

Given these existing approaches, an important question emerges: “What unique insight does the BoP perspective offer on poverty alleviation?” Some have suggested that the BoP perspective is based on large companies selling smaller sizes or easier-to-afford versions of their existing products to respond to the limited purchasing power and investment capabilities of those at the BoP (Karnani, 2007; Wilson & Wilson, 2006). If this approach is really no more these

³ The goal of enterprise development programs, in general, is to provide economic opportunities for both the poor and the non-poor, leading to more equitable growth opportunities and outcomes. Micro- and small-enterprise (MSE) development, which is primarily targeted at the poor, focuses on enabling local businesses to better compete in their particular markets. Donor support for MSEs typically involves providing access to financial resources, technical expertise, and business skills. Financial assistance may come via micro-credit institutions. The technical and business assistance provided is usually funded by grants from the donor agencies and may complement the efforts of other existing donor programs, such as value chain initiatives.

⁴ Value chain initiatives are a series of donor-driven interventions to fine tune an industry from both the macro and micro perspectives. In particular, this approach seeks to enhance the competitiveness of a specific industry, often agro-based, in order to generate benefits for a variety of existing and new businesses operating in this sector across the value chain. Donor grants are typically used to fund value chain programs, and the benefits generated are expected to be shared across all the firms participating in the industry. Substantial background information on value chain approaches is available on the microLINKS’ website: http://www.microlinks.org/ev_en.php?ID=9652_201&ID2=DO_TOPIC

⁵ Not included in this discussion are market-based programs that focus on macro-economic issues, such as market liberalization and privatization. These types of initiatives emphasize country-level policy and trade issues and, as such, are not specifically focused on the poor. In general, their poverty alleviation implications are more indirect and rely on a view, perhaps unwisely, that a rising tide lifts all boats (Stiglitz, 2002).

multinational corporations (MNCs) offering incrementally modified versions of current Western-oriented products, then a BoP perspective may, at best, make a modest contribution to our thinking about market-based approaches to poverty alleviation.

However, a more comprehensive examination of the current body of work suggests that the BoP perspective presents a more nuanced argument. Indeed, existing research on the BoP perspective indicates that there are six principles that, when combined, separate it from other poverty alleviation approaches. Each principle is embedded in one of the following components of a BoP venture's development: design, implementation, performance and view of the business environment (see Figure 1).

Insert Figure 1 about here

Design: Principle of External Participation

The BoP perspective requires the entry of an exogenous, or external, venture or entrepreneur into the informal economy where the poor live and operate (see Table 2). Indeed, much of the existing BoP research has focused on exploring how non-native organizations can successfully enter the informal economy at the BoP. Researchers have argued and empirically shown that entry into BoP markets by non-native organizations requires the development of a new capability (Hart, 2005; Hart & London, 2005; London & Hart, 2004; Sanchez, Ricart, & Rodriguez, 2007). This new capacity is termed “social embeddedness” or “native capability” and is defined by London and Hart (2004: 164) as “ the ability to create a web of trusted connections with a diversity of organizations and institutions, generate bottom up development, and understand, leverage, and build on the existing social infrastructure.”

Insert Table 2 about here

While a number of authors have highlighted the important role that non-native multinational corporations (MNCs) can play in serving the base of the pyramid (Hammond & Prahalad, 2004; Hart & London, 2005; World Business Council for Sustainable Development, 2004), BoP ventures are not the sole purview of these large companies. In fact, a variety of different external organizations and individuals can launch BoP ventures. As discussed in the BoP literature, these ventures also emerge from the host-country private sector as well as non-profit organizations and other socially-oriented enterprises.

Prahalad (2004), in his popular book on the base of the pyramid, uses Jaipur Foot and Arvind Eye Care, both India-based non-profits, as examples of BoP ventures. London and Hart (2004) incorporate both for-profit and non-profit ventures in their empirical study. In studying ventures serving BoP markets, Wheeler et al. (2005) find that the anchor organization was not always a multinational or large domestic firm. Indeed, more often than not, non-profits or other local entities, such as cooperatives, play the central role. This indicates that the external participation that is a hallmark of BoP ventures can come from a variety of sources, including MNCs, domestic firms, and non-profit organizations as well as non-native individuals who catalyze the development of social enterprises or cooperatives.

Two points are critical to understanding external participation and the term “non-native.” These come from recognizing the heterogeneity of the population within and across countries (Hammond et al., 2007; Sachs, 2005). First, being native to a country does not necessarily make one native to the BoP; host-country nationals should not automatically assume they are familiar

with the BoP. Indeed, most managers of local companies and non-profits are not native to the BoP. This is similar to the lack of knowledge that the developed world elite has about their own inner cities (Porter, 1995). Second, being native in one place does not always translate to another location. Some expertise, knowledge and experience likely are transferable, but others are probably not. Indeed, organizations should not assume that a business model successfully implemented in one BoP community automatically transfers to another.

One implication of the principle of external participation is that it distinguishes the BoP perspective from micro-finance and micro-enterprise development programs. A BoP perspective involves external ventures or entrepreneurs entering BoP markets. Most micro-finance and micro-enterprise development initiatives, on the other hand, focus on supporting businesses or business start-ups that were developed solely by those at the BoP. In this sense, they are promoting local business ideas that already exist and are not focused on encouraging external participation. While this can certainly generate positive outcomes, it is a different orientation from a BoP perspective.⁶

Design: The Principal of Co-Creation

According to the BoP literature, incorporating the voices of the BoP in the venture design is deemed as crucial in venture design (see Table 3). While external participation is required to catalyze the development of the BoP venture, local co-invention and bottom-up development are key components of the BoP mantra for success (London & Hart, 2004). As Hart (2005) suggests, to move from alien to native, the outsiders must find ways to hear and incorporate the

⁶ As is discussed in more detail later, the BoP perspective, however, can complement existing micro-finance and micro-business development initiatives. For example, GrameenPhone, a for-profit company, partnered with Grameen Bank, a micro-credit institution, to implement Grameen Telecom, an initiative that sells cellular services in rural villages in Bangladesh.

voices of the BoP in the design of BoP ventures. This allows these ventures to combine knowledge developed at the top of the pyramid with the wisdom and expertise found at the bottom in a way that best fits the local environment and enables co-discovery of new opportunities to serve those at the BoP (Whitney & Kelkar, 2004).

Insert Table 3 about here

Indeed, rather than relying on imported solutions from the developed world, the business model of the BoP venture and any associated technological solution is co-created among a diversity of partners, with local ownership and involvement seen as crucial to success (Hart & Sharma, 2004). This theme is a guiding component in the development of the BoP Protocol (Simanis et al., 2004), an approach that mixes business tools and social anthropological approaches to co-design new BoP ventures in close collaboration with those at the base of the pyramid. Terms such as social embeddedness and native capability, used in the BoP Protocol, describe the critical importance for non-local managers to hear, incorporate, and respond to the voices of those at the BoP. This is how the venture creates the deep understanding of the local context necessary to achieve the hypothesis of mutual value creation.

The principle of co-creation distinguishes the BoP perspective from typical corporate and development strategies that rely on importing pre-existing business models and technologies into BoP markets. Indeed, as a market entry strategy for most companies, this is certainly not business as usual. When entering a BoP market, incumbents cannot rely on a design based on incrementally modifying existing capabilities. An approach of locally adapting existing products and business models works when these firms enter new markets that contain familiar, wealthy

consumers. As they move down the economic pyramid, however, these companies must proactively avoid importing pre-existing mindsets and business models (Prahalad & Lieberthal, 1998).

As Chambers (1983; 1997) has indicated, most traditional poverty alleviation programs also often rely on a top-down approach. Rather than co-created with poor, these poverty alleviation initiatives are designed and managed by professionals trained in the developed world. The BoP perspective suggests that these efforts would benefit from a reversal in learnings (Simanis & Hart, 2006). Indeed, as the BoP literature posits, only through a process of co-creation can a BoP venture truly hear and respond to the voices at the BoP (Hart & Sharma, 2004).

Implementation: Principle of Connecting Local with Non-Local

When implemented, BoP ventures connect those at the BoP to markets they did not previously have access to, by either bringing non-locally produced products to BoP markets, or by taking BoP-produced goods or services to non-local markets (Rangan et al., 2007) (see Table 4). For BoP-as-consumer ventures, this means offering goods and services that are not currently produced in local markets. For example, an enterprise selling access to the Internet or a water purification product could be considered a BoP venture, while a local farmer selling his produce in a village market would not.

Insert Table 4 about here

For BoP-as-producer ventures, connecting local with non-local means taking locally-produced goods, such as handicrafts or agricultural produce, and selling them in non-local markets, including both wealthier in-country and international markets (Arnould & Mohr, 2005). Furthermore, a BoP venture can take a locally-produced good, such as honey, and sell this product to BoP markets in other (non-local) regions or countries. In this case, the venture combines both BoP-as-producer and BoP-as-consumer components.

Moreover, the BoP perspective is premised on the BoP venture establishing a set of mutually beneficial partnerships with local organizations, community institutions and entrepreneurs currently operating at the BoP (Brugmann & Prahalad, 2007; Hart & Sharma, 2004; London & Rondinelli, 2003; Sharma, Vredenburg, & Westley, 1994). Indeed, BoP ventures are expected to have a direct connection to and relationship with the sellers and/or buyers at the BoP (Simanis et al., 2004; Wheeler et al., 2005). In facilitating linkages between local and non-local, these ventures have a presence at the BoP and interact directly with local sellers and buyers. An agriculture business, for instance, that buys through an agent at the BoP or directly from local BoP farmers could be a BoP venture. Alternatively, a handcraft retailer in the United States that buys through an NGO that works with local weavers is not. The NGO dealing directly with the local artisans is the BoP venture.

One implication from the principle of connecting local to non-local is that ventures based solely on having employment relationships with those at the base of the pyramid are not BoP ventures. In this case, no locally produced goods or services (other than labor) are transferred from local to non-local markets. As such, building a factory at the BoP or hiring someone from the BoP to work in a larger city, in and of themselves, do not qualify as BoP ventures. This would also apply to contract labor agreements in cases where those at the BoP are obligated to

sell their output to a specific buyer at a specific price. This type of contract is similar to an employment agreement, and has been used in certain agriculture production relationships as well as in the procuring of other commodities.

Implementation: Principle of Patient Innovation

An important theme in the BoP literature is the need for innovation (Christensen, Craig, & Hart, 2001; Hart & Christensen, 2002; Prahalad, 2006) (see Table 5). This has both time and financial implications. In terms of a time commitment, establishing these ventures requires the sponsoring organization to have a long term orientation in developing their business models. Indeed, similar to investments in technology research and development (R&D), BoP ventures are posited to view business model development as an innovative process that will take time to come to fruition (London, 2007a).

Insert Table 5 about here

Furthermore, conducting this business model R&D requires careful reconsideration of the routines and processes that organizations traditionally use to understand, evaluate, and explore new opportunities (Milstein, Hart, & London, 2007). This process takes time, as managers must overcome existing biases about the poor and the ways in which their organizations can serve them (Prahalad, 2006). Firms attempting to enter these markets must develop new problem-solving approaches, rely on different evaluation metrics and find a structure that provides some level of isolation from the influence of existing organizational routines.

From a funding viewpoint, the BoP perspective emphasizes the need for patient capital. Indeed, financial commitments to innovation at the BoP are best viewed as investments that start small and are then potentially scalable (Simanis & Hart, 2006). As in any area of new business development, not all new BoP ventures will be successful. The successful ones are expanded by committing additional resources and the unsuccessful ones are stopped or redirected (London, 2005). Investing substantial resources before the business model or technology is proven is typically a recipe for disaster, especially when serving BoP markets where much learning needs to occur (Maddy, 2000).

This principle of patient innovation has important implications when the BoP perspective is compared to other development programs. Due to their funding approach, typical development initiatives rarely have much opportunity for the experimentation and trial-and-error that is inherent in an innovation process. Indeed, investment is centralized into one or a few activities, with limited ability to generate the requisite variation needed for successful innovation. These initiatives are also often expected to be fully operational within a year or so and to aggressively scale up shortly thereafter.

Furthermore, funding cycles are typically five years or less, and all the financial resources are required to be spent within these deadlines. Indeed, a key metric for many development initiatives is how fast the money is spent (Easterly, 2005). Saving funds for more targeted future investment is not part of this model. BoP venture implementation, however, requires a more incremental, or real options, approach to investing resources (Simanis & Hart, 2006). Before large scaling, the pilot must be tested and proven to work. Indeed, given the likelihood that some ventures will fail, a BoP perspective indicates the need to place multiple bets on different opportunities and rely on a process of variation and experimentation.

Performance: Principle of Self-Financed Growth

In the BoP perspective, the key to growth and scalability is profitability associated with competitive advantage. Indeed, the BoP perspective relies on the view that unmet societal needs are also potential business opportunities (London & Hart, 2004; Prahalad, 2004; Prahalad & Hart, 2002). BoP ventures are viewed as operating under a hypothesis of mutual value creation; the greater the ability of the venture to meet the needs of the poor, the greater the return to the partners involved (Hart & Milstein, 2003; Wheeler et al., 2005). While the specific outcomes from and boundary conditions for the interaction between profits and poverty alleviation require deeper exploration and careful monitoring (Leonard, 2007; London, 2007b; Walsh et al., 2005), this relationship clearly points to self-financed growth as a critical aspect of both the BoP venture's economic and societal performance.

To generate sustained economic returns, BoP ventures are looking to create a competitive advantage for themselves and their partners (Hart, 2005; Hart & London, 2005). However, unlike the business environment in the formal economy, competitive advantage in the informal economy at the BoP is not based on the protection of property rights (de Soto, 2000). According to the BoP literature, competitive advantage and the associated long term sustainability of the venture will most likely emerge from establishing a set of mutually beneficial partnerships with local organizations, community institutions and entrepreneurs currently operating at the BoP (Brugmann & Prahalad, 2007; Hart & Sharma, 2004; London & Rondinelli, 2003; Sharma et al., 1994).

Interestingly, this source of competitive advantage also provides a check on the societal value created by the venture. Collaborations with socially-oriented organizations will only

remain viable if the BoP hypothesis of mutual value creation holds. If the BoP venture does not generate the anticipated societal value, these partnerships will dissolve, eliminating the associated competitive advantage. Without this competitive advantage, the BoP venture will have difficulty generating sufficient economic returns to remain in business. This suggests that local partners play an important role in ensuring that mutual value is indeed created by on-going BoP ventures.

An important implication of the principle of self-financed growth is that the BoP perspective does not focus on raising the overall playing field in an industry. This is a different approach than is found in value chain initiatives, which prefer to enhance the viability of all players within a specific sector. The BoP perspective, alternatively, emphasizes competitive advantage and maximizing the benefits accruing to the BoP venture and its partners. This also means that poverty alleviation impacts from a specific venture are primarily local; the outcomes are felt by the venture's local agents or distributors, the local producers it sources from, the consumers it serves and the communities in which it operates.

View of the Environment: Principle of Focusing on What Is “Right” at the BoP

The BoP perspective emphasizes that there is an intrinsic economic rationale to the informal sector, and that organizations wanting to serve the poor should learn from, and adapt their business models to this sector (London & Hart, 2004). This means that the BoP venture, be it a for-profit business or a non-profit initiative, should focus on leveraging what is “right” in BoP markets. For example, a number of initiatives serving the poor rely on existing self-help groups, and the associated social capital within these organizations, as a way to distribute their products.

Indeed, rather than imposing “Western” business approaches and looking to move local business activity from the informal to the formal economy, a BoP venture crafts a strategy that relies on the existing resources, expertise, and social infrastructure already present in the informal market (Hart & London, 2005). This may also mean that the venture must invest in local capacity building, such as educational awareness or skill building, which is outside of organizational boundaries.

An important implication of the principle of focusing on what is “right” at the BoP is that the BoP perspective emphasizes enhancing what already exists and builds from the bottom-up. This distinguishes it from poverty alleviation approaches emphasizing the development of an enabling environment. These latter efforts are more policy oriented and stress the benefits of creating bridging opportunities for transitioning informal business activities to the formal economy (de Soto, 2000). These enabling environment initiatives, therefore, are assuming that there is a pre-existing economic blueprint, typically based on the “Western” model of capitalism that best serves business development at the BoP. The BoP perspective, on the other hand, does not look to replicate a specific economic model or achieve a particular business environment in order to promote venture development.

BoP Ventures: New Wine in Old Bottles

Market-based approaches to poverty alleviation are not new. Indeed, micro-finance institutions began to expand, initially in Latin America and Asia, in the 1970s (Chu, 2007). Aid-funded support for local small- and micro-enterprises has been a staple of the development community for many years. Value chain and enabling environment efforts to enhance an industry’s competitiveness or a country’s formal economy, newer offerings from the

international communities' tool bag of market-based approaches, already have a relatively long history.

While the BoP perspective also emphasizes market mechanisms, what is novel is that it requires non-local and local partners to collaborate in creating innovative ventures that rely on profits to generate scalable impacts. These BoP ventures are hypothesized to produce not only economic returns for the investing organizations but also societal benefits for the poor living and transacting in the informal market economy. Indeed, the greater the ability of the venture to meet the needs of the poor, the greater the economic return to the venture.

Perhaps most strikingly, the BoP perspective avoids a development model based on “providing assistance” and, instead, is firmly grounded in an approach that emphasizes “generating collaborations.” The idea that the poor must be active agents in poverty alleviation is not new and is recognized by many in the development community. That said, this belief, while often articulated, is not well applied in many development programs in the field (Sen, 1999; Chambers, 1997).

Furthermore, the BoP perspective also avoids an orientation based on “how we can help the poor.” Rather, embedded in the BoP perspective is the core theme that venture success is based on a philosophy of “how we can help each other.” This viewpoint helps ensure that the incentives of the key actors are aligned, a concern noted about other development programs (Easterly, 2005). Eschewing a top-down design based on overcoming weaknesses and “Westernizing” local business activities, the BoP perspective is a bottom-up approach that respects the strengths and capabilities already existing at the BoP. Indeed, those at the BoP are viewed as colleagues, partners and teachers.

Together the six principles of the BoP perspective – external participation, co-creation, connecting local with non-local, patient innovation, self-financed growth, and focusing on what is right at the BoP – provide insight into who is involved in a BoP venture, the intermediary role the venture plays, how the venture views the local environment, and the approach the venture takes to scale its impact. As a BoP venture can view those at the BoP as consumers or as producers, combining these six principles leads to the following two definitions:

BoP-as-consumer ventures are scalable profit-oriented ventures operating in the informal economy, catalyzed by external participation and co-created with those at the BoP, that connect non-local goods and services to BoP markets.

BoP-as-producer ventures are scalable profit-oriented ventures operating in the informal economy, catalyzed by external participation and co-created with those at the BoP, that connect BoP producers of goods and services to non-local markets.

Applying the Principles: Is it a BoP Venture?

Other market-based initiatives may embody one or more of the six principles of the BoP perspective. An important issue to address then is whether, or to what extent, a venture or a market-based poverty alleviation initiative aligns with the BoP perspective. It is also potentially helpful to understand how a planned or on-going program could incorporate more of a BoP perspective into its activities. As such, some metrics for evaluating the incorporation of each principle into a venture or project design are useful.

Indeed, there are some relatively clear-cut measures that can provide an initial indication of whether a venture is applying each of the principles of the BoP perspective (see Tables 2-5). For example, tracking whether new non-locally owned or managed revenue-generating ventures

have begun to serve base-of-the-pyramid markets is an indicator for the principle of external participation. Evaluating whether the voices of the BoP are incorporated in the venture design provides a measure of co-creation. Moreover, connecting local with non-local is measured when BoP-produced products reach non-local markets or when non-local products reach BoP markets.

Furthermore, evaluating whether the BoP venture has access to financial and other resources that are not focused on short-term performance outcomes is a measure of the principle of patient innovation. The venture's ability to maintain mutually beneficial partnerships with local socially-oriented organizations provides a metric to assess whether a venture can create a sustainable competitive advantage that will enhance self-financed growth. Finally, examining whether a venture has identified, leveraged and enhanced existing resources at the BoP will provide insight into its efforts to focus on what is right at the BoP.

If a development initiative or business venture is grounded in the BoP perspective on poverty alleviation, it will demonstrate that it is applying all six principles. Applying fewer than all six does not mean the initiative or venture cannot succeed. Rather, using these principles as a checklist, it suggests that there may be additional opportunities to enhance the design, implementation, or outcomes.

These metrics, however, do not necessary indicate the appropriate level of effort or input required for a specific principle. For example, incorporating the voices of the BoP into the venture design is a measure of co-creation. The right level of involvement of the BoP in the venture's design, however, is subject to debate. Indeed, this is likely to vary depending on the context. It needs to be higher than 0% involvement, which would indicate a completely top-down approach. Similarly, it also should be lower than 100%, which indicates no external participation. Most probably, something close to 50% would be the norm, but again, this can

vary depending on the situation. Evaluating the effectiveness of different levels of input from the BoP in venture design, as well as the appropriate levels of other indicators of the principles of the BoP perspective, is an area that certainly warrants further attention in the future.

The Big Picture: Playing a Complementary Role

While the BoP perspective offers new insights into addressing poverty alleviation, two qualifying statements are important. First, the BoP perspective is not presented as a panacea that will replace or supersede other proven poverty alleviation approaches. Rather, it is better viewed as a perspective that can complement other efforts. Second, the effectiveness of a BoP perspective will vary across different socio-economic, cultural and political contexts within and across countries.

Indeed, there is no single “fix” for alleviating poverty in the developing world. The BoP perspective does, however, provide an approach that can complement other private, non-profit, development, and government sector initiatives. For instance, a BoP venture approach, a value chain project, and a micro-enterprise assistance program could compliment one another in terms of improving venture performance, exploring new market opportunities, and reducing poverty. Indeed, a BoP venture developed in collaboration with local coffee farmers to sell their coffee in non-local markets could benefit from services offered by complementary poverty alleviation initiatives. Local farmers’ productivity could be enhanced from receiving advisory support on how to improve the quality of their crops. Furthermore, support from a value chain project could yield access to new markets, particularly international ones. In fact, this type of support provided to BoP ventures can be viewed as a subsidy, an issue that will be discussed in greater detail in the following section.

The role a BoP venture can play in alleviating poverty will also vary depending on the context. The BoP perspective is most effectively applied in countries and cultures where individuals can accumulate assets. If the local informal economy does not support the ability of asset accumulation, such as in a conflict zone or in areas devastated by a natural disaster, then the BoP perspective, like any market-based approach, will have difficulty gaining traction. Additionally, if the local economic or cultural system does not favor the development of business ventures that incorporate local and non-local ownership, a BoP perspective will likely encounter difficulties.

Moreover, the BoP is a heterogeneous population, and the appropriateness of different poverty alleviation approaches varies depending on which segments are involved. For example, BoP-as-consumer ventures will face greater challenges as they look to serve markets further down the economic ladder at the BoP. As Sachs (2005) suggests, those surviving on less than a \$1/day live in extreme poverty. Indeed, the poorest of the poor may need to rely more heavily on subsidies to purchase goods or services offered by BoP ventures. As they move up the development ladder, though, this particular part of the BoP population will become increasingly less reliant on these subsidies.

A Role for Subsidies

Two types of subsidies are important in facilitating the development of BoP ventures: investment subsidies and consumer subsidies. A particular challenge that BoP ventures face is the need for investment in common goods in the informal economy. For example, promoting a product that cleans contaminated water requires that the local population understand the link between dirty water and disease. If this awareness is low, then an investment is required in

educating this population. Unless there is a local monopoly, this investment is a common good, and the investing organization will struggle in generating a competitive advantage from these expenditures. As discussed above, other poverty alleviation programs can potentially provide these subsidies.

If other programs are not available or appropriate for covering certain investments in common goods, then the BoP venture will need to absorb these costs. To secure the necessary capital for initial launch, these ventures still must demonstrate a viable long-term economic model that satisfies the financial expectations of their potential investors. This suggests that some of the initial start-up costs for a BoP venture may require a subsidy, such as a grant, low-cost loan or venture philanthropy (an equity investment that has low or long term capital repayment expectations). This type of patient capital is willing to accept little or no financial returns and a longer-term payback period.

Long-term returns and subsidized start-up capital, however, should not be considered antithetical to the development of profit-oriented ventures. Indeed, many businesses have long-term economic performance goals for their R&D investments. Furthermore, third-party subsidies often play an important role for companies and industries in the formal economy. Developed country governments, for instance, subsidize investments in common goods, such as basic technology and medical research, as well as provide targeted support to specific industries, including agriculture or transportation. Nevertheless, what distinguishes a BoP venture from other subsidized poverty alleviation initiatives is that a BoP venture must demonstrate long-term economic viability based on revenue generation, even if some of its initial capital requirements are subsidized.

Subsidies to enhance demand may also be needed. Similar to vouchers and food stamps in the developed world, the poor in the developing world, especially the poorest of the poor, may need targeted financial support to purchase certain goods and services. From a public policy perspective, this also allows non-market participants to influence market actions. Targeted subsidizes can provide incentive to the poor to purchase certain products or services with their limited disposable income. Managing grant programs and subsidies do, of course, bring their own challenges (Easterly, 2005). Still, subsidies and patient capital have a role to play in the BoP perspective, as they do in business in the developed world and in other poverty alleviation programs in the developing world.

Impacts of the BoP Perspective on Poverty Alleviation: A Final Caution

As noted earlier, the BoP perspective is based on the hypothesis of mutual value creation. In other words, more profits come from better serving the social good. This is an exciting hypothesis, but at this stage, it remains that – a hypothesis that requires more comprehensive testing to better understand the interactions and boundary conditions in the relationship between profits and poverty alleviation. To date, positive poverty alleviation outcomes of BoP ventures are demonstrated via anecdotes, which highlight the benefits accruing to specific individuals selected from the BoP. This approach, while indicative of positive poverty alleviation outcomes, is clearly insufficient in understanding the overall impact on the local community (Leonard, 2007). To more fully evaluate the poverty alleviation outcomes, three questions must be answered with regard to the value creation process of the BoP perspective: What type of value is created or destroyed, what is the amount of value created or destroyed, and what is the allocation of the value created or destroyed.

For the BoP venture itself (as for any business), there are a number of well-established metrics for determining the business value created or destroyed. With regard to the venture's impact on poverty alleviation, these outcomes are more difficult to measure, but are critical to understand. Indeed, while BoP ventures are viewed as experiments that may or may not scale up, this certainly does not mean that those at the BoP should be subjected to the outcomes of untested business models. Those at the BoP are the ones who can least afford a reversal of fortune generated by a loss, economic or other, from the implementation of any poverty alleviation program (Krishna, 2006). As such, before implementation, a BoP venture must have a clear understanding of its probable poverty alleviation impacts, both positive and negative.

Poverty is multidimensional and, therefore, poverty alleviation efforts must measure their impacts across multiple aspects of local well-being (Sen, 1999). Poverty is more than just a lack of income, and change in income is just one measure of a venture's impact on local well-being. Respect, dignity, inclusion, choice, security, and transparency are among the other aspects of well-being that must be measured in order to evaluate a BoP venture's impact on poverty alleviation. Indeed, the amount of value created or destroyed across these different dimensions will vary depending on the type of venture.

Furthermore, the allocation of the value created or destroyed will also vary. One important dimension to understand is how much value is captured by the venture and how much is gained by the local community. In other words, how does the BoP hypothesis of mutual value creation really work? Moreover, the value created locally will not be evenly distributed. Some local individuals stand to benefit more than others; indeed some face the possibility of value destruction. The latter may be unscrupulous intermediaries taking advantage of the poor's lack of market knowledge or, alternatively, ill-informed consumers encouraged to buy inappropriate

products sold using aggressive or illegal marketing techniques. At this time, work is underway to develop a framework to better understand and track these outcomes (London, 2007b).

Final Thoughts

Poverty, especially in developing countries, has remained one of the world's most intractable problems. While this remains a daunting challenge, it is not an excuse for inaction or unwillingness to explore new approaches. Donation-based aid programs can make an important impact on alleviating poverty, but they are inherently not economically sustainable. Once the resources are used in serving one community, region, or country, there is no capital remaining to transfer the program to another location. Market-based approaches offer an attractive alternative, as they can be economically sustainable. While a number of interesting approaches have been developed over the years, they too have limitations in their effectiveness and their scalability to new locations. This suggests an opportunity to identify new poverty alleviation approaches based on market mechanisms; the BoP perspective is one such approach.

In the BoP perspective, profits and the associated ability to generate self-financed growth are the prime drivers of poverty alleviation, and the societal returns for any capital invested are subject to the economic performance generated by the business. Indeed, the hypothesis is that profits and poverty alleviation can be synergistic; a long term orientation supported by continual access to self-generated financial resources allows BoP ventures to scale business models that have net positive poverty alleviation implications.

While creating and implementing BoP ventures involves external parties that are non-native to the BoP, active involvement of those at the BoP in venture design is also critical. Indeed, long term venture success is premised on capturing value for all of its partners. Without

viable local partnerships, the venture will have difficulty generating a sustainable competitive advantage and is unlikely to achieve financial viability.

Finally, these ventures focus on finding what is “right” at the BoP. Rather than worrying about the perceived limitations of the informal economy, the BoP perspective emphasizes bridging the formal and informal by leveraging the strengths of the BoP and combining that with expertise developed at the top of the pyramid. For the development community, a collaborative effort among equals focused on generating profitable ventures offers new insights into a market-based approach to poverty alleviation.

Figure 1: Principles of a Base of the Pyramid Perspective on Poverty Alleviation

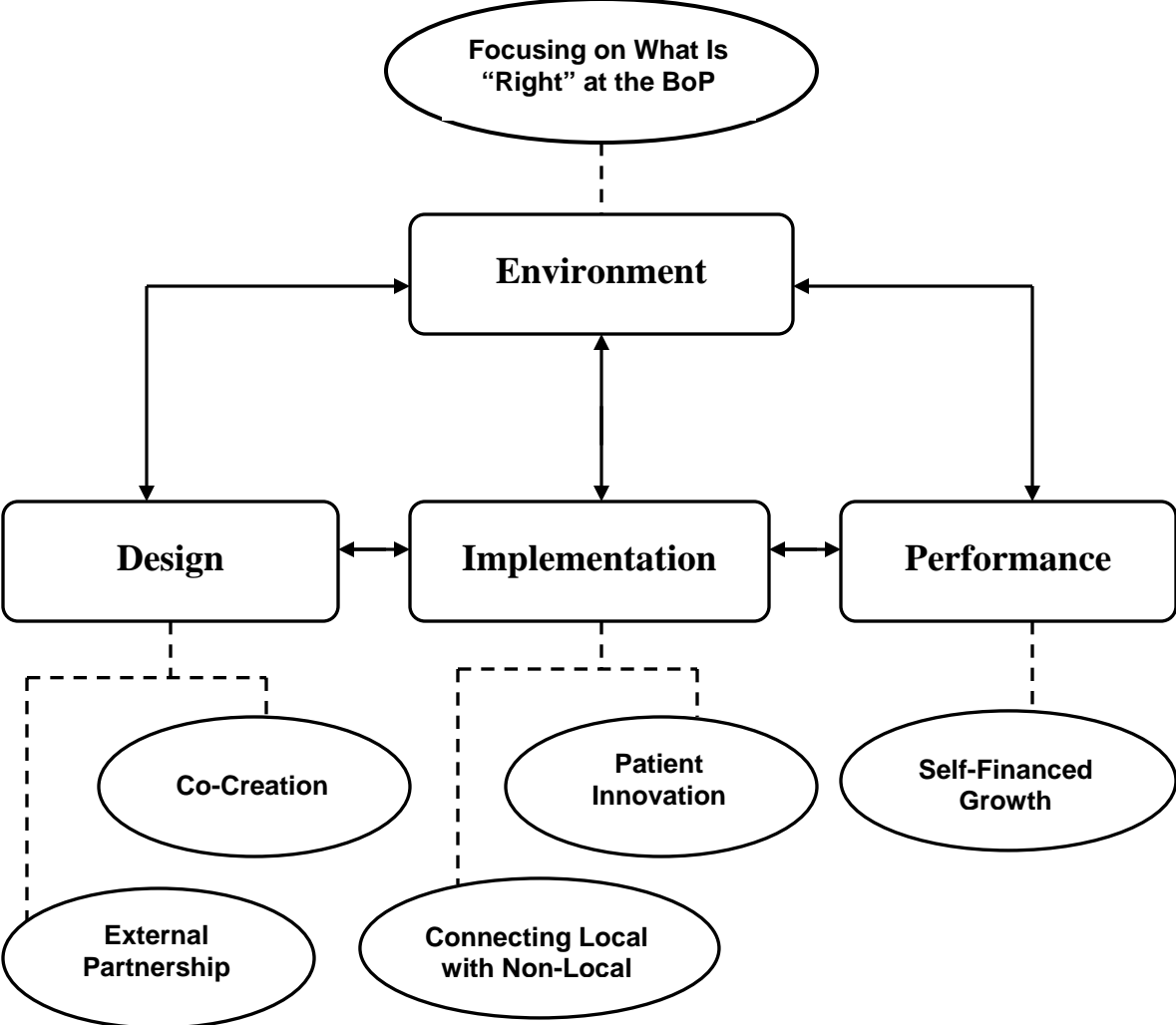


Table 1a – Sample of BoP Initiatives across Sectors

Organization/ Initiative	Sector	Website	Description
University of Michigan - William Davidson Institute's BoP Initiative	Academic	www.wdi.umich.edu	Focuses on exploring the links between a BOP strategy and poverty alleviation.
BoP Learning Lab – Cornell University	Academic	http://www.bopnetwork.org/	A consortium of companies, NGOs, multilateral organizations, entrepreneurs, and academics working together to create growth opportunities in BoP markets.
BoP Learning Lab – Monterrey TEC (Mexico)	Academic	http://www.bopnetwork.org/node/41	Founded in 2004.
BoP Learning Lab – Center for Study of Corporate Sustainability (Argentina)	Academic	http://www.bopnetwork.org/node/24	Founded in 2005.
BoP Learning Lab – Getulio Vargas Foundation (Brazil)	Academic	http://www.bopnetwork.org/node/42	Founded in 2005.
BoP Learning Lab - Tilburg University and Triple Value (The Netherlands)	Academic	http://www.bopnetwork.org/node/5	Founded in 2006.
BoP Learning Lab - Stellenbosch University (South Africa)	Academic	http://www.bopnetwork.org/node/7	Founded in 2006.
Harvard Business School – Social Enterprise Initiative	Academic	http://www.hbs.edu/socialenterprise/	Generates and shares knowledge that helps individuals and organizations create social value in the nonprofit, private, and public sectors.
Inter-American Development Bank – Mapping the Majority	Development	http://www.iadb.org/bop/mapping/	Provides information to the private sector, country governments and NGOs to help them make decisions on investing in and providing services to the BoP in Latin America.
DFID – Business Linkages Challenge Fund	Development	http://www.businesslinkageschallengefund.org	Provides seed capital for the private sector to initiate business partnerships to help serve communities that historically have not been helped by private enterprise, including the BoP.
USAID – Global Development Alliance	Development	http://www.usaid.gov/our_work/global_partnerships/gda/	Facilitates development solutions that would be mutually beneficial to both private and public stakeholders, but are unlikely to be solved by a single actor. This includes initiatives serving the BoP.
United Nations – Growing Inclusive Markets	Development	http://www.growinginclusivemarkets.org/	Raises awareness and provides research and analytical tools that will enable business leaders, policy makers and development practitioners to more easily identify and understand the constraints to inclusive growth, including markets at the BoP.
United Nations – Growing Sustainable Business	Development	http://www.undp.org/partners/business/gsb/index.shtml	Facilitates business-led enterprise solutions to poverty, particularly those promoting the Millennium Development Goals.
Acumen Fund	NGO	http://www.acumenfund.org/	Creates a blueprint for building financially sustainable and scalable organizations that deliver affordable, critical goods and services to the BoP.

Organization/ Initiative	Sector	Website	Description
Mennonite Economic Development Associates – Production and Marketing Linkages	NGO	http://www.meda.org/WhatWeDo/Productio nMarketingLinkages.html	Seeks to create linkages between producers of goods and markets. These include producers at the BoP that have not been connected to external markets.
CARE Enterprise Partners	NGO	http://www.care.ca/	Provides seed capital, technical assistance, and export promotion assistance for small businesses, including those serving the BoP.
Enterprise for a Sustainable World – BoP Protocol	NGO	http://www.e4sw.org/	Seeks to combine efforts of the private and other sectors, utilizing their respective strengths to create solutions to people living at the BoP.
World Resources Institution – Next Billion	NGO	http://www.nextbillion.net/	Seeks to create networks of professionals who are interested in helping those at the base of the economic pyramid through creation of for-profit business models.
World Business Council for Sustainable Development	Business	www.wbcd.org	Provides business leadership as a catalyst for change toward sustainable development, and supports the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues.

Table 1b – Sample of BoP-Oriented Conferences

Conference	Hosting Org	Website	Date	Location
Business and Poverty Leadership Programme	University of Cambridge	http://www.cpi.cam.ac.uk/emerging/	Dec 3-6, 2007	Cape Town, South Africa
Business with Four Billion; Creating Mutual Value at the Base of the Pyramid	William Davidson Institute at the University of Michigan & Center for Sustainable Global Enterprise at the Johnson School of Business	www.bop2007.org	Sept 9-11, 2007	Ann Arbor, MI
Research at the Base of the Pyramid: Developing a New Perspective	William Davidson Institute at the University of Michigan	http://www.wdi.umich.edu/Events/93/	May 18-20, 2006	Ann Arbor, MI
A Conference on Global Poverty: Business Solutions and Approaches	Harvard Business School	http://www.hbs.edu/socialenterprise/globalpoverty.html	Dec 1-3, 2005	Cambridge, MA
Business Opportunity and Innovation at the Base of the Pyramid	World Resources Institute	http://www.nextbillion.net/mexico05conference	Sept 1, 2005	Mexico City, Mexico
Business Opportunity and Innovation at the Base of the Pyramid	World Resources Institute	http://www.nextbillion.net/brazil05conference	Aug 30, 2005	Sao Paulo, Brazil
Eradicating Poverty through Profit: Making Business Work for the Poor	World Resources Institute	http://www.nextbillion.net/sfconference	Dec 12-14, 2004	San Francisco, CA
Global Business and Global Poverty Conference	Stanford Graduate School of Business	http://www.gsb.stanford.edu/news/headlines/2004globalconf.shtml	May 19, 2004	Palo Alto, CA

Table 2: BoP Perspective: Venture Design Principles

External Participation:

The catalyst for the poverty alleviation impacts of the BoP perspective is a business venture or entrepreneur that is external to the current BoP market environment.

Comparison to Other Poverty Alleviation Approaches: The BoP perspective differs from Micro- and Small-Enterprise Development initiatives, as BoP ventures involve non-local participants.

Measuring the Application of this Principle: A measure of success at this stage is when a new non-locally owned or managed revenue-generating venture begins to serve BoP markets.

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Co-Creation:

Those at the base of the pyramid are active participants in the conceptualization of the business model and the design of any technological solutions.

Comparison to Other Poverty Alleviation Approaches: The BoP perspective differs from corporate and development sector growth strategies that rely on importing pre-existing “Western” business models and technologies into new market environments.

Measuring the Application of this Principle: A measure of success at this stage is when the voices of those at the BoP are incorporated into the venture design.

Table 3: BoP Perspective: Venture Implementation Principles

Connecting Local with Non-Local:

The venture connects BoP products or consumers to non-local markets that they were previously not able to access.

Comparison to Other Poverty Alleviation Approaches: The BoP perspective differs from corporate and development sector strategies that are based solely on creating jobs for those at the BoP.

Measuring the Application of this Principle: A measure of success at this stage is when products from the BoP reach non-local markets or non-local products reach BoP markets.

Patient Innovation:

The venture has a long-term orientation and the patience to scale only after the business model has demonstrated success.

Comparison to Other Poverty Alleviation Approaches: The BoP perspective differs from corporate and development sector growth strategies that demand immediate large-scale implementation and associated economic returns or societal impacts.

Measuring the Application of this Principle: A measure of success at this stage is when the BoP venture has access to financial and other resources that are not tied to short term performance goals.

Table 4: BoP Perspective: Venture Performance Principle

Self-Financed Growth:

For the BoP venture and its ecosystem partners, profits associated with competitive advantage are the primary source of long-term growth for the enterprise.

Comparison to Other Poverty Alleviation Approaches: The BoP perspective differs from value chain initiatives as the goal is to generate competitive advantage for a specific venture, as opposed to raising the competitiveness of all the players in an entire industry.

Measuring the Application of this Principle: A measure of success at this stage is when the venture creates a competitive advantage based on maintaining mutually beneficial partnerships with local organizations, community institutions and entrepreneurs currently operating at the BoP.

Table 5: BoP Perspective: Venture View of the Environment Principle

Focusing on What Is “Right” at the BoP:

A BoP venture incorporates in its strategy the view that there is an intrinsic economic rationale to the informal sector.

Comparison to Other Poverty Alleviation Approaches: The BoP perspective differs from enabling environment initiatives, as the goal is not necessarily to formalize the informal economy.

Measuring the Application of this Principle: A measure of success at this stage is when the BoP venture and its partners identify, leverage and enhance resources and capacities that currently exist at the BoP.

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