



BA612 – BUSINESS STRATEGIES FOR THE BASE OF THE PYRAMID

Course Syllabus

Fall B 2015 – Section 001 (Day Class)

Tuesday-Thursday, 12:40-2:10pm
Four Friday Sessions (Oct. 30th, Nov. 6th, Nov. 20st & Dec. 4th), 9am-noon*
(*Oct. 30th session only is from 9am-10:30am)
Room R2230

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Course Overview

Prospects for a more inclusive capitalism are appearing on the horizon. While poverty continues despite increased globalization and the implementation of a wide variety of poverty reduction programs, two emerging drivers provide reason for renewed optimism. Indeed, the greater appreciation of the opportunities for market-based ventures to serve the poor and the growing interest in exploring new poverty alleviation approaches offers the potential for rethinking the intersection between business strategy and poverty alleviation.

Private sector firms are continually searching for new business opportunities. Facing saturated markets with limited growth potential and a highly competitive business landscape, companies must broaden their search for new markets to increase revenues, and for new sources of supply to reduce costs. This has led managers to pay greater attention to opportunities in base of the pyramid (BoP) markets, the appropriately four billion low-income people living in the developing world.

Given the unique business context, however, both existing and start-up ventures have struggled to formulate effective business strategies for BoP markets. Serving these markets requires radical innovations in designing and implementing business models. Addressing these challenges will require managers to demonstrate leadership, vision, imagination, and the capacity to embrace and catalyze change.

Furthermore, non-profit organizations and development agencies are increasingly viewing profit-making business ventures as a new and important tool for achieving their poverty alleviation goals. While this approach has much potential, adopting this course of action also presents these organizations with new challenges. They face a gap in required skills and capabilities, resistance from an organizational culture not comfortable generating profits from those they seek to serve, and a development legacy grounded in grants and donations.

While the challenges of catalyzing a more inclusive capitalism are substantial, so are the potential returns. Fundamental to the success of BoP ventures is mutual value creation; a synergistic relationship between the pursuit of profits and the alleviation of poverty. BoP ventures seek to align business-oriented investments with development community resources to create a sustainable and scalable approach to poverty alleviation. Co-creating new business ventures with the base of the pyramid offers the opportunity to design economically viable ventures that have the potential to raise the quality of life for billions of people.

Overall, this course integrates concepts of strategy, international business, non-profit management, and poverty alleviation to stimulate the leadership skills and competitive imagination needed to understand the BoP landscape and create successful BoP ventures. Through a combination of cases, readings, lectures, and videos, class sessions will engage students in discussions aimed at: 1) identifying the prospects and challenges associated with serving BoP markets; and 2) developing the strategies, business models, partnerships, and mindsets required to productively explore these opportunities.

To explore these issues in greater depth, the course also includes two interactive lab sessions with BoP venture managers. These 3-hour labs are specifically designed as working sessions that maximize interaction and shared learning. For these sessions, I invite experts from around the world who are deeply involved with BoP venture development to convey both their organizations' vision and some of the obstacles they are currently facing. The goals of these interactive labs are two-fold. Students get a deeper understanding of the current unique opportunities and challenges in implementing ventures designed to serve the base of the pyramid and have an immediate chance to put their classroom knowledge into action. Our guest experts value the interaction with the students and see it as an opportunity to generate new insights on some of their most vexing problems.

Course Materials and Other Resources

For the coursepack, an announcement will be posted on CTools with instructions for purchasing and accessing the required readings and cases. For more info: <http://www.bus.umich.edu/kresgelibrary/support/students.htm>

The following two books are recommended as supplemental reading:

London, T. & Hart S. 2011. *Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value*. Upper Saddle River, NJ: FT Press.

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

Office Hours

Meeting with students is a high priority for me, and I would be delighted to meet with you about any aspect of the class or to discuss BoP topics in general. My office hours are **by appointment**, and I am generally available on Wednesday and Friday afternoons from 2-4:30pm. Please feel free to send an email or see me after class to arrange a time to talk in-person or by phone.

Teaching Assistant

Our teaching assistant, Erica Rose Dancik, is also available to meet with you. Please contact our TA by email to arrange a time to meet. The TA is a resource for you in helping with venture selection and in answering questions that you may have with regard to developing your presentation and final report. Please note that the TA does not grade the final reports.

C-Tools

Our course C-Tools site includes announcements, the syllabus, lecture presentations and other course materials not found in the course pack. C-Tools can be accessed from the UM home page, or directly at <https://ctools.umich.edu/portal>.

Course Requirements

Four components comprise the final grade: class participation (35%), responses to discussion questions (5% each), two interactive lab assessments (10% each) and a group project (35%).

For individual work, please include your name and section in both your file names and on the documents themselves. Use self-explanatory file names, such as: Smith, Day, DQs – Business Model R&D.doc. For group work, please include your team number and section in both your file names and on the documents themselves. Use self-explanatory file names, such as: T1, Day – IFC Interactive Lab.doc.

Class participation (35%)

Class participation is a key factor in the success of the course. Attending all class sessions is essential. **Please plan carefully to ensure that you do not miss more than one class.** Missing more than one class will influence your final grade.

Missed classes: If for some reason you must miss a class, please let both the TA and me know in advance. Furthermore, to ensure that you are up-to-date with the course material, for any missed regular class session please submit your responses to the discussion questions associated with the readings. These summaries should be approximately ½ -1 page per question and be emailed to me prior to the beginning of the next class session.

Missed Interactive Lab session: I will plan to record these and will ask you to watch the video and answer the following questions: (1) What you found most interesting and why; (2) What you found most surprising and why; and (3) Offer 2-3 recommendations to our guest speaker based on the presentation. Provide logic for these.

Please note that **submitting responses to any missed session is a requirement** of this class and failure to do so will influence your final grade.

While class attendance is crucial, individual preparation and a willingness to share knowledge and perspectives are also expected. Because this course primarily uses the case method, please carefully review the assigned readings before class, consider the discussion questions, and actively participate in the dialogue. I expect you to come prepared and may call on you to start the discussion or to address a specific issue. If for some reason you are not fully prepared on a particular day, let me know before class so that I do not inadvertently embarrass you.

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

Expected behavior: A significant part of the learning takes place through the process of class discussion. All of us are responsible for ensuring this process is effective. Please do not use your laptops during class. Also, be sure to arrive on time for class. Furthermore, please bring your nametag to each class so that both your classmates and I can get to know you. Your nametag is especially important since this class combines students from different schools across campus, and invariably not everyone will know one another. Not following these standards hurts not only the student, but also our learning community as a whole.

Discussion Question Responses (5% each)

Each set of class readings detailed at the end of this syllabus has a set of associated discussion questions. To help in preparation for the class and to enhance the in-class discuss, you should submit your responses to the discussion questions for any two of the following class sessions:

- Nov. 3rd: Fortune at the BoP?
- Nov. 5th: Setting up for Success
- Nov. 10th: Reaching Scale
- Nov. 12th: Mutual Value Creation
- Nov. 17th: Building an Ecosystem of Partners
- Nov. 19th: Managing Cross-Sector Collaborations
- Nov. 24th: Evaluating a Venture
- Dec. 1st: Choosing Your Form of Legal Structure When Creating a BoP Venture

Your responses should be approximately ½ - 1 page for each of the discussion question assigned for that given session (*Note: the quality of your response, not the length, matters*). Please do not collaborate or discuss your responses with others. **Please note that submitting discussion questions for a missed class session does not count toward filling this class requirement.**

Please post these discussion question responses to our class CTools site. Responses to the discussion questions must be submitted prior to that class session. Late papers are not accepted

In grading these responses, I am not looking for the one “right answer.” Rather, the goal is to make sure you have thought through the questions, used the appropriate tools and frameworks to address the issues at hand, and developed a consistent and logical argument. The focus is on applying concepts from the course to a complex current BoP business situation.

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

Interactive lab assessments (10% each)

The interactive labs are designed as working sessions. Our guests, visiting BoP venture managers and experts, will provide, in advance of the lab, relevant background materials and a set of questions that focus on challenges their organizations are currently facing.

To enhance the quality of these discussions, you will be asked to prepare an interactive lab assessment for both of the three-hour sessions (Friday, Nov. 6th and Friday, Nov. 20th) with our guest speakers. These assessments should address the specific question(s) for each of these sessions and be about 1-3 pages per question (*Note: the quality of your response, not the length, matters*). Our guests generated these questions with the explicit intention of getting your input.

These submissions are group efforts. Please post these interactive lab responses to our class CTools site. Responses to the interactive lab assessments must be submitted prior to the lab session. Late papers are not accepted. Grading of these responses will also use the ‘check,’ ‘check minus,’ and ‘check plus’ approach discussed above.

Group project (35 %)

Early in the class, we will form student teams. Teams are responsible for identifying their own ventures. Each team can select from two options:

1. An existing BoP venture
2. A start-up BoP venture (Note: This start-up can either be a *de novo* venture or a new initiative launched by a pre-existing organization)

These ventures should be business-oriented initiatives that transact directly with the BoP. The organization launching the venture, however, need not be a for-profit entity. BoP-oriented initiatives launched by multinational corporations, host country companies, start-up businesses, non-profit organizations, and community groups are all appropriate for this assignment.

Please refer to the course pack for detailed information on venture selection, final report, and presentation. We will be discussing this in class on **Nov. 3rd**. Each team should choose their BoP venture and submit a one-page synopsis on or before **Nov. 10th**.

Choosing a Venture

In selecting a venture, each team should consider the amount of publicly available information as well as the opportunities to contact, via phone or e-mail, venture managers or other experts. If you have difficulty identifying a suitable venture, there are many resources to assist you. Our TA or I would be delighted to discuss ventures with you, as would other interested faculty and students.

One-Page Synopsis

If you decide to assess an existing venture, the synopsis should include a brief summary of the venture and a preliminary listing of the resources you plan to use to conduct your assessment. I would prefer to avoid having the same initiative examined by two teams. Typically, overlaps are resolved based on a first-come, first-serve basis.

If you decide to develop a start-up venture, the synopsis should include an executive summary that explains the value proposition of the venture and the resources you plan to use to conduct your assessment. In this

case, overlaps can be fine. More than one team can develop a venture targeting a similar opportunity or market.

Report and Presentation

While collecting information will play a substantial role in your work, the outcome of this project is not a “book report.” Simply describing the venture and reporting facts is not sufficient. I also want to see you *critically analyze* the venture, including its strategy, business model, venture development approach, economic performance, poverty alleviation outcomes, and use of development investments and then *craft carefully considered recommendations* based on your analysis of the long-term success of the venture. I expect you to apply the concepts and frameworks from the course. Properly executed, I have found that this is a valuable learning experience.

Results from this assessment will be summarized both in a written and oral form. General guidelines for the written paper are as follows: approximately 20 pages (not including exhibits), double-spaced, 12 pitch type, normal margins. The oral report will be an in-class presentation. Each team will have approximately 18 minutes for the presentation and follow-on Q&A.

I expect all team members to be actively involved in developing this assessment; the final document should capture the aggregate thinking of the entire team. To allow feedback on this process, at the end of the semester, I will ask you to evaluate the performance of the other members of your team.

Presentations are scheduled for **Thursday, December 3rd** and **Friday, December 4th**. Please plan to provide me with a hard copy of your slides. These presentations are an opportunity for both sharing and learning. The paper is due on the final day of class (**Tuesday, December 8th**).

Summary of Deliverables

Date	Deliverable	Format	Grade
All class sessions	Class Participation	Thoughtful contribution to class discussion <u>Missed classes:</u> Submit responses to discussion questions	35%
Any two of the following: 11/3 11/5 11/10 11/12 11/17 11/19 11/24 12/1	Individual Class Discussion Questions	~1/2-1 page per question <i>(Note: the quality of your response, not the length, matters)</i>	5% each
11/6 11/20	Team Interactive Lab Assessments	~1-3 pages per question <i>(Note: the quality of your response, not the length, matters)</i>	10% each
11/10	Team Project Synopsis	~1 page (single spaced)	35%
12/3 & 12/4	Team Presentation	~15 minute presentation followed by Q&A	
12/8	Team Project Report	~20 page report	

Outside-class session: This course primarily focuses on BoP venture development, its implications for business strategy, and its impact on poverty reduction. As such, we will not delve deeply into the opportunities and controversies around current poverty alleviation efforts. *That said, if there is sufficient demand for a deeper discussion on this topic, I am willing to schedule one or more sessions outside of regular class time with interested students. Attending or not would have no influence on your final grade for the course.*

Honor Code

Personal integrity and professionalism are fundamental values of the Ross Business School community. This course will be conducted in strict conformity with the Academic Honor Code. The Code and related procedures can be found at www.bus.umich.edu/Academics/Resources/communityvalues.htm. The site also contains comprehensive information on how to be sure that you have not plagiarized the work of others. Claimed ignorance of the Code and related information appearing on the site will be viewed as irrelevant should a violation take place. Non-Ross Business School students taking the course should also familiarize themselves with the Code as they will be subject to the Code as well while in this course.

Please note that the code requires that you report any violation by one of your classmates. Also, recall that the code requires proper citations of work that is not your own.

Ross Commitment to Learning

“The Ross learning experience transforms students by developing the ability to think rigorously, work collaboratively, and lead effectively. The classroom and course work are the foundational components of the Ross learning and growth process. Classroom activities are central to each student’s experience – an experience they share with their classmates and faculty to develop each student’s knowledge and personal growth and that of the student body as whole...The expected level of engagement goes far beyond mere physical presence in class. Rather, students should come to each class having read all material, prepared all assignments, and ready to share their insights, thoughts and intellectual struggles with their classmates.”

Services for Students with Disability Statement

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

Summary Outline

Part I: Setting the Stage

Class 1 - Thursday, October 29th: Reinventing Strategies for the BoP	
Readings:	“The next four billion (Executive summary)” (Hammond et al.) “Developing native capability” (Hart & London)
Discussion Questions:	<ul style="list-style-type: none"> • What did you find most interesting about <i>the Next Four Billion</i> chapter? • What perspective (or mindset) should managers use when exploring business opportunities in BoP markets?
Supplementary Reading:	“Serving the poor, profitably” (Prahalad & Hammond) “Reinventing strategies for emerging markets” (London & Hart) “Mystery of Capital” (pp. 1-37, 251-254) (de Soto)

Class 2 - Friday, October 30th (9am-10:30am; 1.5 hour session): Conventional Wisdom in Poverty Alleviation	
Readings:	“Distribution of Nets Splits Malaria Fighters” (Kyama & McNeil) “More Money Than Sense” (Economist)
Case:	Targeting Malaria: Comparing Charity- and Social Marketing-Based Approaches
Discussion Questions:	<ul style="list-style-type: none"> • As the government of Tanzania, what is your recommendation to USAID? What is the reasoning behind this decision? • What were the strengths and weaknesses of the process that USAID used to address the burden of malaria in Tanzania? What recommendations would you offer USAID to improve the process?
Supplementary Readings:	“Nets and New Drug Make Inroads Against Malaria” (McNeil) “Aid is not the answer” (Prahalad)

Part II: Exploring the BoP Opportunity

Class 3 - Tuesday, November 3rd: Fortune at the BoP?	
Readings:	“BoP venture assessment: Project details” (Background on group project) “The fortune at the bottom of the pyramid” (Prahalad & Hart) “Misfortune at the bottom of the pyramid” (Karnani) “Prahalad’s response to Karnani” (also available at: http://nextbillion.net/pubs/images/CK_Response.pdf) “Africa’s world of forced labor, in a 6-year-old’s eyes” (LaFraniere)
Discussion Questions:	<ul style="list-style-type: none"> • What do you think about the view that there is “a fortune at the base of the pyramid?” • What might Mark Kwadwo say about the relationship between job creation and poverty alleviation?
Supplementary Readings:	“Discovery and creation: Alternative theories of entrepreneurial action” (Alvarez & Barney)

Class 4 - Thursday, November 5th: Setting up for Success	
Reading:	“Enabling business model innovation” (London) <i>(to be handed out in class)</i>
Case:	Expanding the Playing Field: Nike’s World Shoe Project (A)
Discussion Questions:	<ul style="list-style-type: none"> Given the current situation, including your assessment from the BMI framework, what should Tom Hartge recommend to senior management regarding the World Shoe strategy? What could Nike do to help ensure effective development of BoP-oriented business models in the future?
Supplementary Readings:	“Revolutionary Routines” (Milstein, London & Hart) “Rethinking marketing programs for emerging markets” (Dawar & Chattopadhyay) “Base of the Pyramid Protocol” (Simanis, Hart, et al.)

Class 5 - Friday, November 6th (9am-noon; 3 hour session): Guest Speaker	
<i>Interactive Lab Assessment #1 Due</i>	
Guest Speaker:	David Griswold, President and Founder, Sustainable Harvest
Readings:	Materials are forthcoming and will be provided on CTools
Discussion Questions:	<ul style="list-style-type: none"> Discussion Questions are forthcoming and will be provided on CTools

Part III: Venture Development

Class 6 - Tuesday, November 10th: Reaching Scale	
<i>BoP Venture Selection Due</i>	
Reading:	“Building for scale” (London) <i>(to be handed out in class)</i>
Case:	Constructing a Base-of-the-Pyramid Venture in a Multinational Corporation: CEMEX’s Patrimonio Hoy Looks to Grow
Discussion Questions:	<ul style="list-style-type: none"> Using the C-I-E scaling strategies framework in London (2016), what is your assessment of the venture development process used by Patrimonio Hoy? What recommendations would you make to the leadership team?
Supplementary Readings:	“A fresh approach; what’s wrong with profits” (Strom) “Creating mutual value: Lessons learned from ventures serving base of the pyramid producers” (London, Anupindi & Sheth)

Class 7 – Thursday, November 12th: Mutual Value Creation	
Readings	“Making better investments at the base of the pyramid” (London)
Case:	Hindustan Lever at the Base of the Pyramid: Growth for the 21 st Century <i>(Note: Focus on the Shakti initiative)</i>
Discussion Questions:	<ul style="list-style-type: none"> Using the BoP Impact Assessment Framework, what is the holistic set of positive and negative impacts of HLL’s Shakti initiative? What could the Shakti team do to enhance the positive or mitigate the negative poverty alleviation impacts you identified?
Supplementary Reading:	“Development as freedom” (Ch. 1, “Perspective of Freedom”) (Sen) “Doing well by doing good – Case study: ‘Fair & Lovely’” (Karnani)

Class 8 - Tuesday, November 17th: Building an Ecosystem of Partners	
Readings:	“Creating a Partnership Ecosystem” (London) <i>(to be handed out in class)</i>
Case:	Growing Movirtu’s Cloud Phone Service: Funding Options for a Base-of-the-Pyramid Venture
Discussion Questions:	<ul style="list-style-type: none"> • Apply the Partnership Ecosystem Framework to Movirtu. What is your assessment? • Should Nigel Waller continue to pursue funding from a “traditional” venture capitalist (in this case TL.com)? What are the implications of your decision?
Supplementary Readings:	“Impact investments: An emerging asset class (O’Donohue et al.) “Acumen Fund: How to Make the Greatest Impact” (Lee & London) “Creating sustainable local enterprise networks” (Wheeler et al.) “Cocreating business's new social compact” (Brugmann & Prahalad)

Class 9 – Thursday, November 19th: Managing Cross-Sector Collaborations	
Case:	Walmart and USAID: The Evolution of a Global Cross-Sector Partnership Also please watch the video: <i>Walmart and USAID: Setting the Stage</i> . It is available on our CTools site.
Discussion Questions:	<ul style="list-style-type: none"> • Assess each of the three phases of the partnership between the two organizations from the perspectives of both Walmart and USAID. What has worked well? What are the challenges and limitations? • Given Walmart’s desire to implement a partnership strategy that generates substantial social impact while also enhancing business performance, what recommendations would you make to Kathleen McLaughlin for the next phase of the company’s collaboration with USAID?
Supplementary Readings:	“Partnerships for learning” (London & Rondinelli) “Using the base-of-the-pyramid perspective to catalyze interdependence-based collaborations” (London & Anupindi) “The role of subsidies in a market economy” (Lee & London) “Subsidies in BoP venture development” (Lee & London) “CARE turns down federal funds for food aid” (Dugger) “CARE: Making Markets Work for the Poor” (London & Lee)

Class 10 - Friday, November 20th (9am-noon; 3 hour session): Guest Speaker	
<i>Interactive Lab Assessment #2 Due</i>	
Guest Speaker:	Madison Ayer, Co-Founder and Chairman, Farm Shop
Readings:	Materials are forthcoming and will be provided on CTools
Discussion Questions:	<ul style="list-style-type: none"> • Discussion Questions are forthcoming and will be provided on Ctools

Part IV: Further Considerations
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Class 11 – Tuesday, November 24th, Evaluating a Venture	
Case:	Building a Sustainable Venture: The Mountain Institute’s Earth Brick Machine

Discussion Questions:	<ul style="list-style-type: none"> Assess the Mountain Institute using the one of the frameworks from class (BMI framework, C-I-E scaling strategies, BoP impact assessment framework, or PEF). Given this assessment, what recommendations would you make to the enterprise's management team?
Supplementary Reading:	"The great leap: Driving innovation from the base of the pyramid" (Hart & Christensen) "Global sustainability and the creative destruction of industries" (Hart & Milstein)

Class 12 - Tuesday, December 1st: Choosing Your Form of Legal Structure When Creating a BoP Venture	
Guest Speaker:	David Guenther Clinical Assistant Professor & Director, International Transactions Clinic Law School, University of Michigan
Readings:	"For Love or Lucre" (Fruchterman) "Doing Good" (Guenther) "Which Type of Social Enterprise is Right for Me?"
Discussion Questions:	<ul style="list-style-type: none"> Which business goals most influence the determination of the most appropriate legal structure for a BoP venture? If you are an investor in BoP ventures, what types of legal structures are likely to be most appealing to you (and why)? Are existing legal structures adequate for BoP ventures?

Class 13 - Thursday, December 3rd: BoP Venture Assessments	
Presentations:	<i>BoP Venture Assessments</i>

Class 14 - Friday, December 4th (9am-noon; 3 hour session): BoP Venture Assessments	
Presentations:	<i>BoP Venture Assessments (continued)</i>

Class 15 - Tuesday, December 8th: The Journey Ahead	
Group Project Due	
Reading:	"Which World" (pp. 3-12 & 22-25) (Hammond)
Discussion Questions:	<ul style="list-style-type: none"> Are you optimistic or pessimistic about the role business can play in solving social problems, such as poverty within the BoP? Why? What else could be done? What role do you want to play?
Supplementary Reading:	"Combating terrorism: A socio-economic strategy" (Byrd)