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D- Back to Business Fundamentals: Making "Bottom of the Pyramid" Relevant to Core Business

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Abstract. Over the last half-decade, corporate interest in Bottom of the Pyramid (BOP) – strategies for profitably serving the world's lowest income consumers–has dropped precipitously or migrated to the CSR (i.e., philanthropic) side of the business. We contend that these trends stem from a fundamental misalignment generated when BOP is framed and managed as a market-based solution to poverty alleviation rather than an internally competitive investment opportunity.

Examining macro, meso, and micro dimensions of a company's core operations, we argue that if corporations are to make BOP part of their investment portfolios, there needs to be four changes to management practice which ensure business fundamentals guide decision-making. First, proponents need to drop the development-infused term "Bottom of the Pyramid" and communicate in terms familiar to and used by the majority of business managers in emerging market country offices. Second, in framing the business case, managers need to leave behind exaggerated, emotionally-tinged claims in favor of concrete, bounded opportunities that address the objectives and investment parameters of a specific unit in the company. Third, at the field level, managers need to reorient their focus from co-creation and community engagement strategies to the business economic drivers of business unit profitability. Finally, to evaluate projects and investments, managers need to measure outputs that link directly to business performance and curtail the growing overemphasis on "impact assessments."

When management academics introduced "Bottom of the Pyramid" (BOP) to the business world a decade ago, it was heralded as a radical idea. The concept transformed the world's poor from charity cases to be served by governments and non-profits into an enormous, untapped consumer market hungering after the products of large corporations.[1] Discussion quickly became action. Venerable firms like Nike, Hewlett Packard, Johnson & Johnson, Dow, DuPont, Procter & Gamble, SC Johnson and others launched BOP ventures.

Today, interest and momentum around BOP continues to grow–it may even be considered a movement. But there's an ironic shift in the movement's membership that seems to have escaped attention: for-profit corporations are rapidly falling from its ranks, and filling their place is an expanding number of government and non-profit organizations. In other words, *the BOP concept is undergoing a complete inversion*.

The shift is pronounced. Among corporations, the early-adopters of the BOP concept encountered more perils than profits. Most left the space entirely (e.g., Nike's World Shoe venture), or shifted their efforts toward corporate social responsibility (CSR) and philanthropic goals (e.g., P&G's PuR water purification). And new corporate efforts are increasingly starting out in CSR mode with limited, if any, profit aspirations. Danone's partnership with Grameen Bank is exemplary.

By contrast, market-based poverty alleviation programs by governmental bodies, multilateral agencies, and global development institutions are multiplying: from the US AID's Global Development Alliance to the International Finance Corporation's new Inclusive Business Group. New social enterprises like D-Light and EcoZoom are coming on line regularly. And the social venture fund industry, which includes such pioneers as the Acumen Fund, is growing in leaps and bounds.

Our goal with this paper is to shed light on one-half of this trend: why are corporations giving up on pursuing growth and profits from BOP markets, and what needs to happen to reverse this trend? There is a lot at stake for both low-income consumers and the corporations themselves. On one hand, corporations possess unique resources and capabilities–in consumer

[1] See, Prahalad, C. K. and S. L. Hart. 2002. "The Fortune at the Bottom of the Pyramid," *Strategy + Business*, (26): 2-14 and Prahalad, C. K. and A. Hammond. 2002. "Serving the world's poor profitably," *Harvard Business Review*, 80(9): 48-57.

research, product design and development, financial discipline, operational efficiency, and scaling–that let them bring goods, services, and benefits into the lives of low-income consumers in ways governments and non-profits cannot. On the other hand, we believe low-income consumer markets can play a valuable role in helping companies meet their unrelenting pressure to generate new sources of growth and profits.

1 The Corporate Disconnect

We believe the underlying reason for the waning corporate appetite for BOP markets stems from a fundamental misalignment. Simply put, the BOP concept and BOP business strategies have evolved in such a way that they fail to connect up with corporate reality on multiple levels. On a macro-level, the overarching principles and frameworks used to champion BOP ventures are weakly connected to corporate business drivers. On a meso-level, the approach toward making the business case and the recommendations for positioning ventures skips over the needs of the mid-level managers most directly responsible for and accountable to the ventures themselves. And on the micro-level, field-level business development recommendations have all but ignored basic business economics, thereby failing to provide project teams with critical management tools and frameworks that inject financial rigor and discipline into their projects.

1.1 Macro-Level: Development Speak

Analyze BOP articles and websites, or attend BOP conferences. The dominant buzzwords you're likely to see or hear are ones like "poverty eradication," "basic needs," "mutual value," "inclusive value chains," inclusive capitalism," "BOP as producer," "community embeddedness," "public-private partnerships," and "impact assessment." This isn't the language of business. It is the language of development agencies and non-profits.

It didn't start this way. The original BOP concept *was* framed through a business lens. The central argument was that the lowest-income demographic was a viable consumer base of potentially massive proportion. An aside to that central thesis was that selling products to low-income consumers could lift them out of poverty. Selling products to generate new sources of revenue, profit, and growth *was the central goal*; poverty alleviation *was merely an externality of the process*.

The shift away from this framing was triggered when this original BOP argument came under strong criticism for its simplistic consumer choice model of poverty alleviation. Poverty alleviation, the development field has long argued, encompasses issues far beyond those of basic material needs to include ones of vulnerability, livelihood stability, gender equality, voice, economic development, and democratic accountability. [2]

But rather than scaling back the grand claims of corporations' power to eradicate poverty and focusing on the central tenet of profit growth, the field went with the expanded poverty alleviation narrative. Consequently, the center of gravity of the BOP concept shifted. Today, BOP is framed, first and foremost, as a market-based approach to poverty alleviation. Business growth and profitability have become lost concepts. BOP ventures that "only" try to sell products to low-income consumers are apt to be viewed suspiciously and criticized for not being true BOP ventures.

But within corporations, generating profits by selling products to consumers is the engine that drives the system. The organizing principles behind corporate routines, systems, and controls are profit growth and maximization. Social and environmental values are boundary conditions–they set the limits and parameters within which corporations pursue their goals. So from a corporate perspective, BOP is now talked about in a way that automatically marginalizes it within a Corporate Social Responsibility cost-center.

1.2 Meso-Level: The Missing Middle

When you get past the high-level framing, most of what is prescribed fails to respond to the realities of middle managers. But it is this management tier that is invariably tasked with translating a C-suite directive to explore BOP opportunities into a concrete strategy.

Consider the issue of making the business case. Management prescription invariably relies on an emotionally-tinged, exaggerated language: billions of un-served people, representing trillions in market value, and innovation spillovers that are likely to migrate up-market and transform traditional markets. Grandiose statements like "… energy pioneers who focus on the base of the pyramid could set the stage for one of the biggest bonanzas in the history of commerce" are commonplace.[3]

While this might be an effective way to catch initial boardroom interest, it provides little utility and direction for the middle managers tasked with identifying and recommending a path forward. Provocative claims of "great opportunities" do not make a business case. Even if top management is moved by such appeals and relaxes their company's evaluation standards, projects built on nothing more than a "Big Hairy Audacious Goal" blow expectations out of proportion and set middle managers up for failure.

The tendency to ground the business case in bold claims and emotional appeal has resulted in a similarly limited set of recommendations for structuring BOP ventures inside a corporation. Almost without fail, the recommendation is to create some form of skunk-works–stand alone structures with liberal funding, open-ended timelines, and freedom from the company's norms and parameters.[4]

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[2] See, W. Sachs (ed.), The Development Dictionary: A Guide to Knowledge as Power (London and New York, Zed Books, 1992) and Robert Chambers, Rural Development: Putting the Last First (Essex, England: Pearson Education Longman Limited, 1984).

[3] See Christensen, C., T. Craig, and S.L. Hart. 2001. "The Great Disruption," *Foreign Affairs*, 80(2): 80-95.

[4] Examples include, Prahalad, C.K. and Hammond, A. "Serving the World's Poor, Profitably," *Harvard Business Review*, 80(9): 48-57; London, T. & Hart, S.L. "Reinventing Strategies for Emerging Markets:

While these take-it-outside-the-company approaches have their place and benefits, they aren't the kinds of strategies that middle managers can sell to a unit's leadership. Barring a CEO-level intervention, the chances of getting BOP ventures off the ground are slim to none. And even CEO-level pet projects that lack clear rooting in the company's core businesses are tenuous, as a change in leadership can leave the project without strategic justification for continued resourcing. Such was the fate of former CEO Carly Fiorina's high-profile e-Inclusion initiative at Hewlett-Packard.

1.3 Micro-Level: Consumer Engagement Myopia

Lastly, when it comes to business implementation strategy, there is a myopic focus on the consumer engagement process. Going native, immersing oneself in the local culture and social structure, building trust through dialogue and mutual exchange, and then co-creating the offering in close partnership *with* BOP consumers are presented as virtual cure-alls to the business challenge of BOP markets.[5]

Consider recent references to ChotuKool, a much-hyped sub-$70 refrigerator targeting low-income rural consumers in India that was developed by Indian conglomerate Godrej & Boyce through a co-creation design process that enlisted deep involvement of the rural poor: *"… the Chotukool business is on a path to grow and improve the lives of BoP families,"* and "*Godrej and Boyce in India has enjoyed success with its affordable ChotuKool fridge for rural India… The ChotuKool was co-designed with village women to assure its acceptability, and is distributed by members of a microfinance group.*"[6] A BOP success story? Actually, at the time these quotes were written, the ChotuKool had yet to be launched nor sell a single unit!

While we don't dispute the value of getting close to the customer, the reality is that companies would have long-since tapped BOP markets had that been the main barrier. Most every consumer products company in the world today has a staff of anthropologists and designers with that capability.

Rather, the biggest barrier has been the underlying structure of low-income market opportunities and the challenging business economics they present:[7] the highly-distributed, small-scale requirement for business operations combined with the high-touch sales strategies needed to get consumers to adopt never-before-seen products drives up operating costs and slows the rate of growth; low price points generate little total contribution per sales transaction, thereby putting intense upward pressure on profit margins and pushing up working capital requirements; and the higher discount rates used to assess ventures in developing country markets slash the present value of later-year cash flows. So even if unit-level profitability is accomplished, the investment model can be grim.

But there is precious little treatment of the business economic fundamentals in the BOP literature.[8] On the contrary, decision making on the basis of the numbers has been discouraged, on the basis that it will constrain out-of-the box thinking. That's left middle managers flying blind.

2 The BOP Protocol: A Microcosm of the Field

Our experience with an applied research project called the Base of the Pyramid Protocol serves as a powerful example of the chasm that exists between the BOP concept and corporate reality.[9] The effort, which we launched in 2004 with colleagues, aimed to create a corporate innovation process for profitably serving low-income communities while advancing their broader development.

In retrospect, the BOP Protocol methodology contained the same gaps we've described above. First, it was weighted towards poverty alleviation and drew liberally on development methods, like participatory rural appraisal. The model was built on the concept of "mutual value creation," and included core processes like building "deep dialogue" and "collective entrepreneurship capability." That accounted, in part, for the lofty, abstract framing of the opportunity, as in: "*We believe the interconnected challenges of addressing poverty and human development and restoring global ecological systems present MNCs with a unique opportunity – a 'license to imagine,' to re-conceptualize the corporation in a manner that can sustainably serve the diverse needs and values of people across the globe.*"[10]

Our recommended structure for a BOP venture was a form of skunk-works: an R&D White space reporting to the top management team and operating outside the company's core routines, processes, and procedures. Lastly, the core methodology and focus of the approach was business co-venturing: deep engagement of the community from concept development through to enterprise creation.

Three ventures used the BOP Protocol: an initial pilot in Kenya by SC Johnson; the DuPont subsidiary, Solae, in India; and a US-based effort on healthcare provision in low-income

Beyond the Transnational Model," *Journal of International Business Studies*, 35(5): 350-370; Stuart L. Hart, Capitalism at the Crossroads: Aligning Business, Earth, and Humanity (Upper Saddle River, New Jersey: Wharton School Publishing, 2007).

[5] The intense focus on the consumer engagement process can be explained, in part, by the shift to a poverty-alleviation framing where issues of participation, empowerment, and capacity-building are central.

[6] See Whitney, P. 2011. "Reframing Design for the Base of the Pyramid." In T. London and S. Hart (Eds.) *Next Generation Business Strategies for the Base of the Pyramid*, FT Press: Upper Saddle River, NJ, 165-192 and Nambiar, P. and S. Phadnis. 2011. "Bottom of the Pyramid is Not Only About Low-Cost Products, Says Stuart Hart," *Times of India*, June 22 (available at http://articles.timesofindia.indiatimes.com/2011-06-22/india-business/29689170_1_bop-pyramid-c-k-prahlad.)

[7] Simanis, Erik. 2012. "Reality Check at the Bottom of the Pyramid," Harvard Business Review, 90(6): 120-125.

[8] For an exception, see Karamchandani, A., M. Kubzansky, and N. Lalwani. 2011. "Is the Bottom of the Pyramid Really for You?" *Harvard Business Review*, 89(3): 107-111.

[9] E. Simanis and S. Hart (with Justin DeKoszmovszky, Patrick Donohue, Duncan Duke, Gordon Enk, Michael Gordon, and Tatiana Thieme). 2008. *The Base of the Pyramid Protocol: Toward Next Generation BOP Strategy*, available at http://www2.johnson.cornell.edu/sge/docs/BoP_Protocol_2nd_ed.pdf.

[10] E. Simanis and S. Hart. 2008. ibid

communities. All three failed.[11] Their failure, however, is not the central issue: the success rate for any high-risk venture is low. What is instructive is *how* they failed. All of the projects experienced a vicious cycle.

2.1 The Downward Spiral

Consider the details of the Solae venture in India.[12] To begin, various statements of the project goal were broad and lofty, as in "to deliver within a sustainable framework enhanced nutritional products to consumers at the bottom of the pyramid" and "to rapidly develop the capabilities to enable Solae to profitably build a significant, recognized presence in emerging markets."[13] Once India was chosen as the project site, projections were made of the massive potential consumption of soy protein should India's 500 million BOP consumers consume a spoonful of soy protein daily.

The project was begun without concrete success criteria linked to specific business objectives. Rather, the targeted output was a nebulous "new business model" for BOP markets globally. The business model was to be truly novel–some holistic solution to malnutrition that might leverage informal social networks to channel a new protein-based food product into the diet of low-income Indians.

Structurally, project leadership rested in the hands of a senior manager in a corporate-level function reporting to the President of the company. There was no strategic or operational link with the India country office. This matched our recommendation for an R&D White space.

In-field work was driven by our co-venturing methodology. Together with a team of women from low-income villages and slum communities, we began co-creating business concepts. Unfortunately, the community's ideas were plain and simplistic: a restaurant that sells meals made with soy protein; a bakery that sells snack foods with soy protein; a catering company that sells foods made with soy protein. In the name of co-creation, two months were spent trying to move the community team toward more compelling concepts while ensuring they retained a sense of ownership.

The final concepts outlined high-level models to addressing community health and welfare with soy protein as one piece of an integrated solution. Our goal of identifying a novel BOP business model seemed to have been met. Project leadership gave a green light to move forward, and we shifted into pilot mode.

But involving the local community team closely in decision-making and execution to maintain our commitment to co-creation slowed progress further. The women lacked basic business know-how. When Solae's team tried to accelerate the project and keep to a reasonable business time-line, the community team questioned Solae's motives and commitment to partnership. Additional time was needed to address the rift in trust.

Then, a change in leadership at the level of President occurred. New leadership requested detailed background on the project and the financials for the business. What we had to offer was the broad project intent, a detailed account of the co-creation work, and two high-level business concepts–but nothing about business economics drivers or measurable targets linked clearly to the company's core strategies. The response, in retrospect, was predictable and reasonable: shut it down. A one-year extension was granted to fulfill a commitment to the communities.

The field teams pushed ahead: products were finalized and priced, packaging developed, and the venture launched in a few months time. Initial sales were promising, but the time required to convince consumers to buy the soy-protein–the high margin product anticipated to be the business's revenue driver–was much longer than anticipated. And repeat sales were low. That spurred the community team to move out to more distant villages in search of new customers. The much longer travel times, however, cut into the time they had for doing sales. They also shifted focus to the easier to sell, low-priced snack foods (fortified with soy protein) readily consumed in the communities. But because of the low price point and very low margins on the snack foods, the volumes needed to cover the fixed costs required a much larger population base than what the business could reach cost-effectively. The economic fundamentals were overwhelming the co-creation vision.

To make the business case to Solae leadership and alleviate concerns about these early challenges, a business plan and a discounted cash flow model (DCF) were developed. But even the most optimistic growth projections in the DCF had the business generating significant *negative* cash flows for the next five years. So even if we could solve the revenue model dilemma of the business unit, our investment model was a non-starter. The game was over–and for good reason.

The project's end, however, had further repercussions. Inside Solae and its parent company, DuPont, the concept of Bottom of the Pyramid became tagged as a kind of community-based development work. In other words, BOP was not about growth and profits, but about corporate social responsibility and philanthropic efforts.

This downward spiral is a pattern that we have seen repeated in the other BOP Protocol ventures and in corporate BOP ventures more generally. Corporations start with grand expectations, task special project teams with curing a social ill, develop complex, holistic business models, and then fail to come anywhere close to making the numbers work. The company's interest in BOP fades.

3 Reversing the Trend: Back to Business Fundamentals

To re-ignite and sustain corporations' interest in the vision of profitably serving the world's lowest-income consumers, companies need to re-frame the BOP concept. As heretical as it may sound to some, poverty-alleviation must be subordinated

[11] The failure of the SC Johnson venture in Kenya to yield a profitable business and its subsequent transition to a non-profit initiative are recounted on pages 72-77 of this volume in the article by Tatiana Thieme and Justin DeKoszmovszky.

[12] The first author of this paper served as the venture's initial field lead and then as a close consultant until the project's end.

[13] See Simanis, E. "The Anatomy of Market Creation: Insights from the Base of the Pyramid," Ph.D. dissertation, Cornell University, 2010.

to business goals. Poverty alleviation has to become the positive externality–a by-product of the activities that drive business success in the most efficient and most rapid way possible.

To put this change into practice, we propose four specific reversals that move companies back to business fundamentals and the day-to-day realities of middle managers. We illustrate our ideas by drawing on our experience supporting a new venture by SC Johnson in Ghana in partnership with the Bill & Melinda Gates Foundation. The project has the overarching goal of creating a consumer-focused business that helps reduce malaria transmission in low income, rural populations. But the direction and management of that effort by the SC Johnson project team has been consciously done to keep the project in the core of the company's business operations and out of the margins of corporate social responsibility. While the project is still at a very early stage–at the time of this writing, the business is two months away from launching pilot sales–we and the SCJ team are seeing a significant change in internal understanding, receptivity, and field-level rigor.[14]

3.1 Reversal I: From Bottom of the Pyramid to D&E Consumers/Markets

Our first reversal may come across as anathema to some: managers need to drop the term "Bottom of the Pyramid" altogether and shift, instead, to using the term "D&E Consumers" or "D&E Markets."

As we noted above, BOP is strongly associated with–if not dominated by–a poverty alleviation perspective. The term conjures images of solving basic human needs, lifting people out of poverty by integrating the poor into a company's supply chain, and working with the poor as partners to building empowered communities. Using the term "BOP" sets a project up for being viewed and treated internally as a corporate social responsibility effort. Internal alignment will be a constant challenge.

Using the term "BOP" is also a precarious external communication strategy. Many people will judge corporate communications that talk about the company's "BOP work" according to the expansive meaning of the concept. So ventures that are "only" trying to sell products are open to criticism and being labeled "a poverty wash."

To get companies focused on this space as part of core business, it has to look like, sound like, and smell like core business: in other words, it has to be about generating revenue, growing profits, and selling the company's products to the poor–not broad-based poverty alleviation. Using the term "D&E consumers" sends this message. It is a consumer classification that business managers across emerging and developed markets have used for a long time. It refers more or less to the same socio-economic group that comprises the Bottom of the Economic Pyramid, but does so in a way that breeds familiarity and understanding.

In the Ghana project, the term "Bottom of the Pyramid" has been scrubbed from internal communications and replaced with D&E consumers. At the country-level, that simple change has helped clarify to local management how the project complements their business strategy and will contribute to their financial performance. A similar impact can be noted at the regional and corporate level. Despite recent changes in senior management, the SCJ project team has been able to gain alignment relatively quickly on the project's business intent. While much of the credit for the smooth transition goes to the organizational foundation laid by SC Johnson's project directors, anchoring communications around D&E consumers has played a valuable contributory role.

In addition, the project team's information requests from other departments and country offices seem to receive higher priority. That makes sense: when the project is framed as reaching D&E consumers, all staff and employees–no matter where they are based–immediately sense that it as an issue central to the company's goals and performance.

3.2 Reversal II: From Boardroom Rhetoric to Grounded Opportunities

A second key shift is to dial back the rhetoric about the business case, leaving behind claims of hundreds of millions, if not billions, of dollars of market potential with the possibility of disrupting an entire industry. Instead, managers tasked with making a business case for a D&E venture need to identify concrete, bounded opportunities that dovetail with the objectives and investment parameters of a specific unit in the company–a specific department, business, geography, or brand. The goal is to demonstrate to the unit's leadership how an investment targeting D&E consumers helps the unit achieve its targets more effectively than other available investment options.

That requires framing D&E opportunities within success criteria and objectives important to that business unit–be it growth in case sales of current products, growth in new product category sales, or growth in share of wallet of existing customers. It also requires matching the opportunity to the unit's particular constraints and norms for investments: things like timeframes within which projects are expected to bear fruit, investment intensity profiles, accepted levels of risk, upside potential, and metrics for evaluating progress and determining whether a project merits ongoing investment.

The SC Johnson Ghana project is instructive on this issue. The project sits in the company's developing markets platform on the profit and loss side of the business. It reports to that unit's senior leadership and maintains a dotted line to the country-level leadership, as the intent is for the venture to be absorbed into the Ghana country office once proof of concept is established.

The project's focus on D&E consumers is complementary with existing initiatives under the platform. Like many consumer products companies in developing countries,

[14] To be clear, we are not claiming that our approach guarantees project success. Low-income markets are challenging and complex business environments, and there is no silver bullet. Rather, the goal of the guidelines described here is to ensure that managers link the venture directly to the firm's core interests and operational norms, and manage the effort with business rigor. Doing so preserves internal credibility for and interest in Bottom of the Pyramid as a business opportunity, regardless of the success or failure of any single project.

SC Johnson is experimenting with different distribution models to reach beyond the upper and middle class A&B consumers and out to C-level consumers in urban areas that frequent informal sector outlets (mom-and-pop shops). The project's focus on rural D&E consumers moves the goal posts one step further out, so there is better clarity how the venture makes a distinct contribution to the platform's core strategies.

Furthermore, the business objective was tightly bounded: To drive broad adoption of SCJ's product categories (insect control, home cleaning, and air care) by low-income consumers in two rural districts of Ghana. Not all of Africa, nor even all of Ghana–just the consumers living in two districts. That has shaped expectations of the initial opportunity size and provided a concrete reference point for longer-term projections of business potential.

3.3 Reversal III: From Consumer Engagement to Business Economic Drivers

The third shift is a change in emphasis at the field-level. While consumer engagement is, without question, a valuable tool for addressing certain business challenges, the field's captivation with co-creation is distracting companies from the key issues that impact success. As noted earlier, business failure is invariably driven by the enormously challenging business economics of serving D&E consumers. That's where managerial focus must be at all times.

Understanding the key business economic drivers *before product design happens* is critical, as the offering and the business model need to factor-in and reflect those economic drivers. And as the project moves into launch and pilot stage, these drivers are a critical management tool for focusing time and attention, ensuring alignment from leadership down to the field. It's an approach that venture capitalists and seasoned entrepreneurs have long counseled.[15] It's good business fundamentals.

Even as early-stage consumer research was being done in the SC Johnson venture in Ghana, key business challenges and drivers were tracked. On the supply-side, it was the limitations and boundary conditions under which the business would have to operate, such as the scale of the business and the human resource base needed to service the target area. On the consumer-side of the equation, it was factors such as the pattern of behavior change that would be entailed with our underlying product categories, as well as the segments of the population that would act as change enablers and potential disrupters.

These drivers were plugged into the financial model so that initial break-even sensitivity analysis could be conducted. Out of that, a pattern emerged as to what would be feasible and necessary in terms of a fixed cost base, wages, price points, gross margins, penetration rates, and customer sales loads. One key insight that the focus on business drivers yielded, for example, was the need for an aggregated customer to manage the required customer load per sales person. Having this framework in place *before* product and business model brainstorming began allowed different ideas to be screened for basic viability.

As the project approaches pilot phase, the level of detail of the model has increased, thereby giving everyone a more nuanced understanding of key determinants of business success. For example, due to the high sign-up cost of a new customer, customer retention rate emerged as a new driver. Having clear business unit numbers has also allowed a project-level financial model to be created. Insights around the timeline and rate of growth needed for a positive net-present-value further informed the offering and business model.

Today, the venture is guided by a dashboard of the critical business drivers, the assumptions to be tested, and the targets. Apart from providing focus at the field level, the dashboard and extensive grounding of the business concept in economic fundamentals has helped in creating alignment–and possible project legitimacy–with new senior leadership in the developing markets platform, as information and reporting is being done in a manner that reflects the unit's norms.

3.4 Reversal IV: From External Impact Assessment to Internal Business Performance

The last change concerns how companies and managers think about and evaluate their D&E investments and ventures–a hot topic in the field. In place of the recommended "impact assessment"–a term and practice used by development institutions and non-profits to assess the changes in the lives of the people and communities into which they intervene–managers of D&E ventures should focus their time and energy on what companies already assess as part of regular operations: their internal business performance and the key factors that influence it.

Impact assessments make sense for development institutions and non-profits, as their ultimate goal is to have an *external* impact. Donors give money to non-profits on the assumption that it will have the greatest impact on the social or environmental issue at stake. Self-obsolescence is a sign of a mission accomplished. With non-profits, the organization is the means, and the social change is the end.

The situation is exactly opposite for a corporation. A corporation's end goal is to sustain and grow itself. Investors give money with the expectation that the company will generate additional profits that allow it to repay the original investment with a dividend. So the changes in people's lives that a company's products and operations bring about are simply a means to the company's growth and longevity. Consequently, the kinds of external impacts that make sense for companies to track are those that have a strong impact on its own *internal* health and wellbeing.[16]

[15] See, Mullins, J. and R. Komisar. 2009. *Getting to Plan B: Breaking Through to a Better Business Model*, Harvard Business Press: Cambridge, MA.

[16] This does not preclude, nor is it an argument against, corporations setting broad social and environmental goals as part of a commitment to certain values and standards of operation and then measuring performance against those goals. The key point, as stated earlier, is that those corporate-level objectives set guidelines and parameters–the internal rules of the game–for how the company's managers and employees perform their core roles.

Of course, one can argue that *any* information can be useful input to a company's strategy or marketing campaigns. True. But in a world of limited time and resources, what gets collected and analyzed must be prioritized according to its impact. Collecting customer feedback on what the customer liked and disliked about the company's product, and her recommendations for improvement, is a form of assessment data that has clear strategic value for any company. Data collection around generic poverty alleviation indices–such as the degree to which women customers have greater voice or whether their children attend school more frequently than children of non-customers–is (for most companies) of little strategic value, as the connection to internal business performance is tenuous.

As we noted above, the SC Johnson Ghana venture has an underlying social objective: the prevention of malaria contraction in low-income, rural populations. But SC Johnson's ability to have an impact on this broad issue stems from the fact that it has products (e.g., OFF!® personal repellent lotion and Raid® insecticide) that kill or repel mosquitoes. The product formulations and active ingredients are scientifically proven to have that effect.

All partners in the project have agreed that it makes no *business* sense for SC Johnson to measure whether there was a reduction in malaria contraction in the target market. Apart from the complex causal chains around malaria contraction, preventing malaria has no direct impact on SC Johnson's ability to meet payroll, pay suppliers and creditors, and invest in new sources of growth.

In assessing social impact from a business perspective, the challenge is to identify a key business outcome that *proxies* for the targeted social outcome. Again, the goal is to accomplish the social objective as a by-product of core business operations. In the SC Johnson Ghana example, the outcome that does directly affect the company's organizational health–and which correlates with the social outcome of malaria prevention–is the number of units sold of the mosquito-related products. While far from being a perfect measure of malaria impact from a public-health perspective, "units of product sold" is the best *business metric* by which to gauge this social impact.

4 Conclusion

The vision that corporations can grow profits and eradicate poverty was and is a noble and provocative one. The BOP concept has inspired people to think differently about the contributions that different sectors can make to complex social issues, and catalyzed a valuable new dialogue among businesses big and small, governments, and non-profits.

But the time has come to move beyond the purity of that vision, and to take up in earnest the day-to-day realities of managers in the world's corporations. Unless we bring business fundamentals back to the forefront of the BOP concept, corporate interest in the subject will continue its rapid decline.

And that's going to mean tradeoffs in our vision. Corporations were not built to do poverty alleviation; they are not non-profits. They are a distinct institution, with different resources, different responsibilities, and, therefore, different limitations. We should no more expect corporations to practice poverty alleviation in the same manner as non-profits and government agencies, than we should encourage non-profits and government agencies to think and operate as corporations.[17]

The important point is that corporations can bring substantial value into the lives of low-income consumers by doing what they do best–selling products and services that generate profits. Maximizing the sector's potential for positive impact, then, requires returning the focus on business fundamentals. We believe that the reversals outlined here are a valuable first step in that direction.

[17] Google founders Larry Page and Sergey Brin learned the intractable challenges of the latter in their efforts with Google.org, the recently-established philanthropic arm of Google. See: Strom, S. and M. Helft. 2011. "Google Finds It Hard to Reinvent Philanthropy," *The New York Times*, January 29.