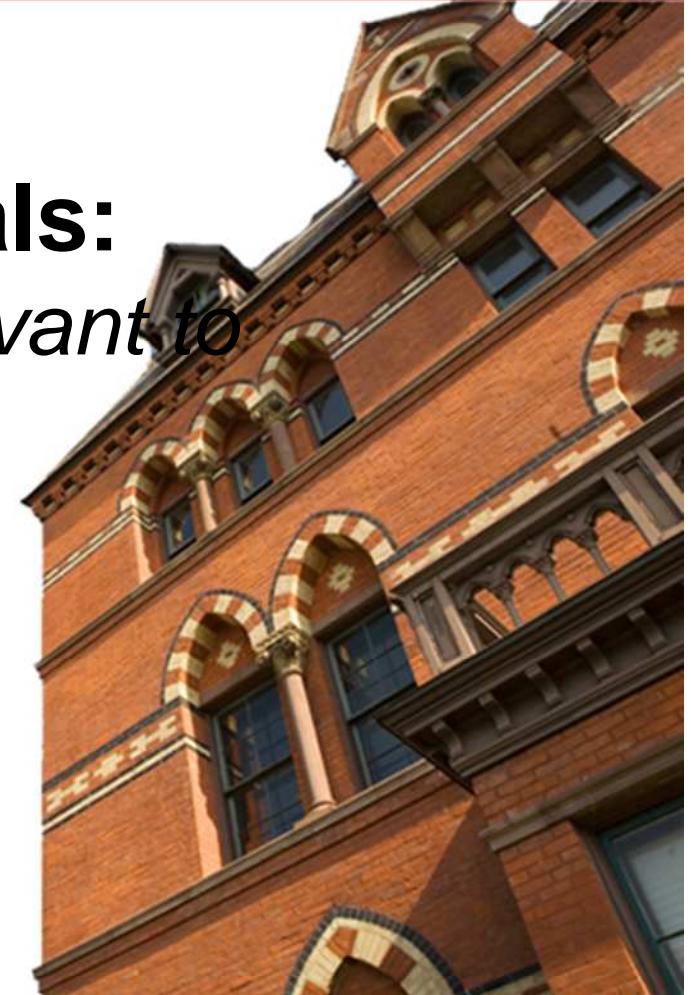


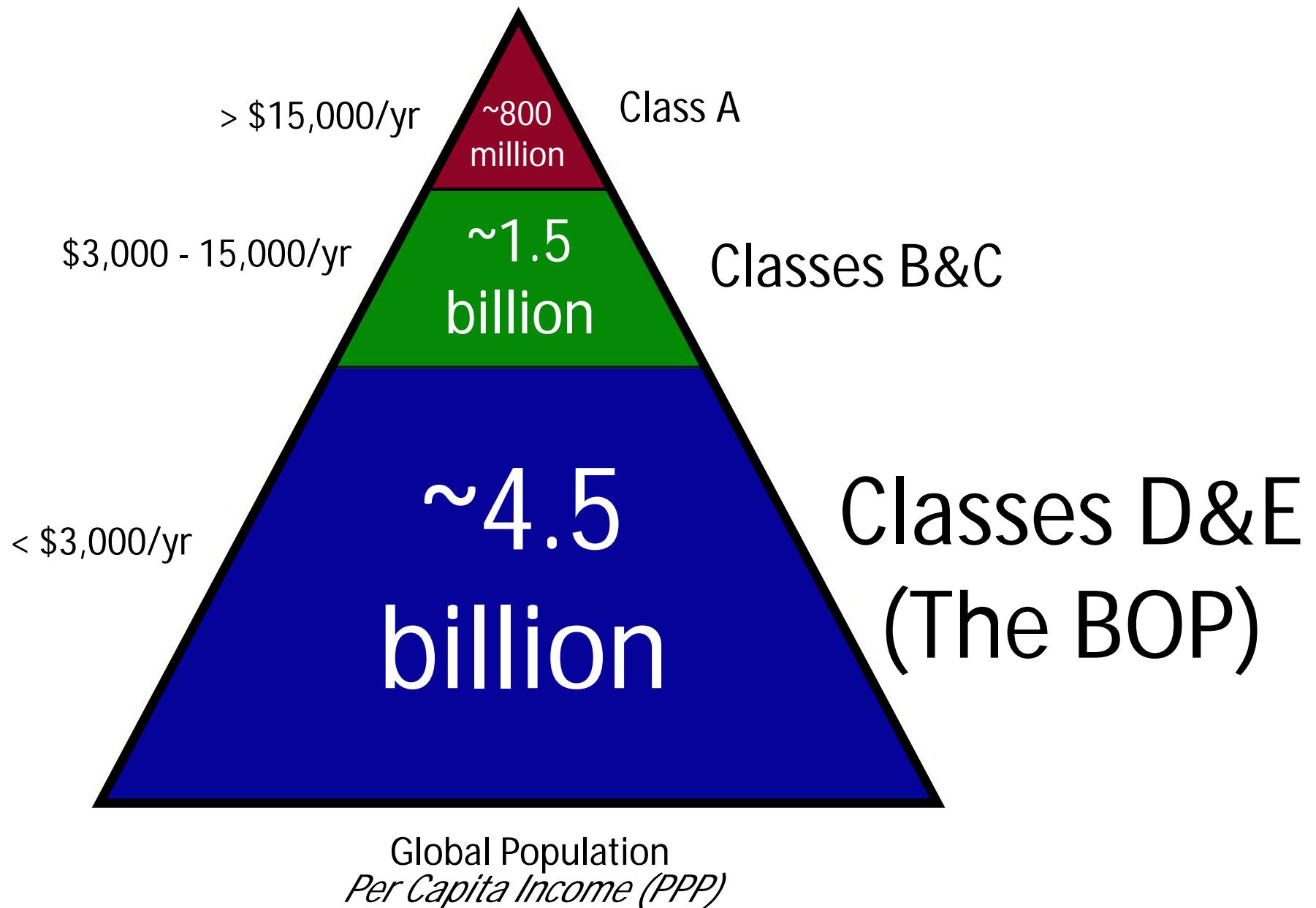


JOHNSON
Cornell University

Back to Business Fundamentals: *Making Bottom of the Pyramid Relevant to Core Business*

Erik Simanis MBA, PhD
Cornell University
December 5, 2011







“For companies with the resources and persistence to compete at the bottom of the world economic pyramid, the prospective rewards include growth, profits, and incalculable contributions to humankind.”

*C.K. Prahalad & S.L. Hart,
“The Fortune at the Bottom of the Pyramid,” 2001*



The Shifting BOP Landscape

2000-2005

2005-Today

Corporate Business Efforts



Johnson & Johnson



Corporate CSR Projects



Grameen Danone Foods
Social Business Enterprise



Creating Shared Value
Nutrition | Water | Rural Development



Children's Safe
Drinking Water



IADB
Inter-American
Development Bank



International
Finance Corporation
World Bank Group



Gov't Multilaterals

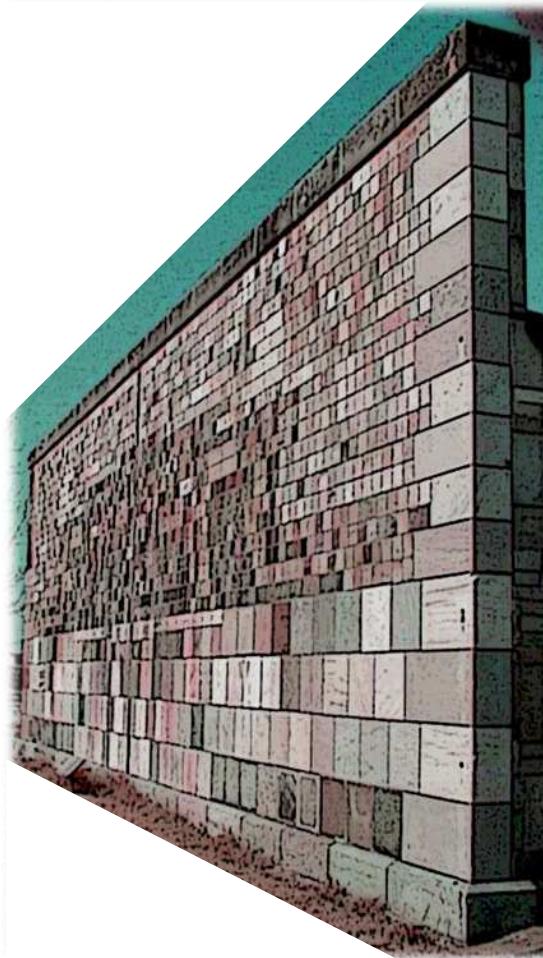


Non-Profits & Social Entrepreneurs



BOP has turned into a market-based
development strategy rather than a rigorous
business growth strategy

Bottom
of the
Pyramid



Core
Business
(P&L)



The Business Disconnect

ORGANIZATIONAL LEVEL



- **DEVELOPMENT SPEAK:**
BOP concept talked about using development language and development goals, not business language and business goals
➤ *Projects lack internal business credibility and migrate into CSR*
- **MISSING MIDDLE:**
Business case framed using grand claims and emotionally-tinged language
➤ *Managers can't sell project internally; if they get buy-in, ventures can't find home within core business*
- **CONSUMER ENGAGEMENT MYOPIA:**
Overwhelming focus on engaging with the consumer, but little attention to business economic drivers
➤ *Feel-good product ideas and concepts that don't have "business legs"*

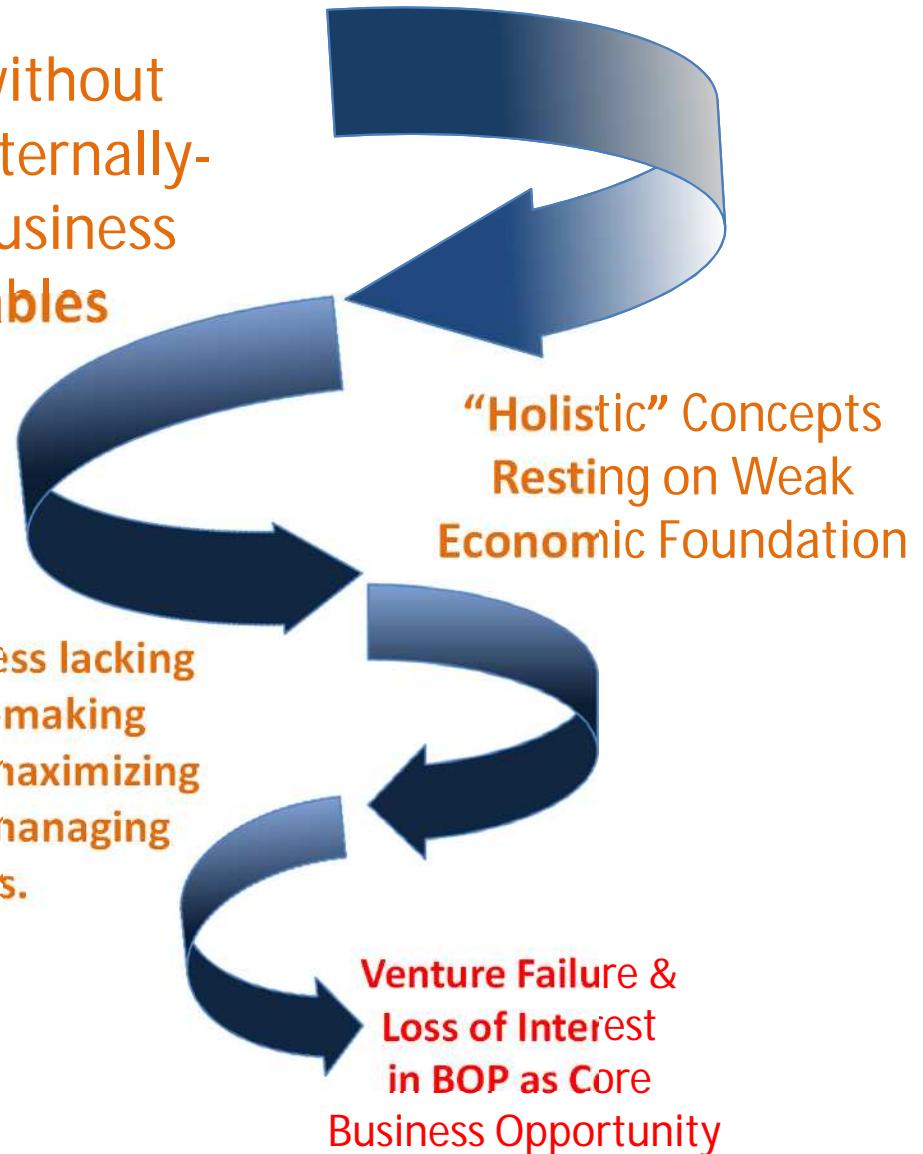


The BOP Projec tSpiral

Grand, Broad Vision
of Business & Social Impact

Projects without
concrete, internally-
relevant business
deliverables

Struggling business lacking
clear decision-making
frameworks for maximizing
resources and managing
tradeoffs.





Back to Business Fundamentals

“To get companies focused on [BOP] 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.”

Simanis, E. N. & Milstein, M.B., 2011 (Forthcoming)

Poverty
Alleviation

= Positive externality (by-product) of activities that drive business success in most efficient & rapid way possible.



Making BOP About Core Business: *Key Reversals*

I. Framing

II. Internal Positioning

III. Project Management

IV. Measurement



Case: SC Johnson, Ghana



Social Objective:
Reduce malaria
contraction among
at-risk, rural
populations



Home Cleaning



Insect Control



Air Care





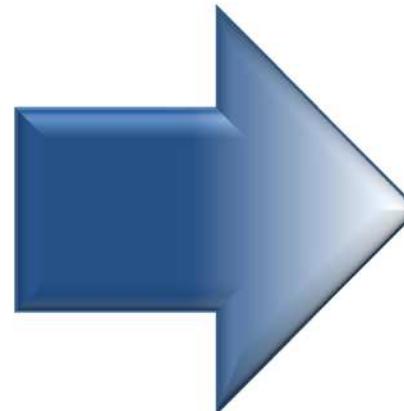
I. Framing

FROM

“Bottom of the
Pyramid”

TO

“D&E Consumers &
Markets”



- Project Framing: “Reach the D&E Consumer”
 - *Faster alignment across management levels, particularly during recent management transitions*
 - *Quicker response to requests from other departments & geographies (e.g., R&D, Manufacturing)*



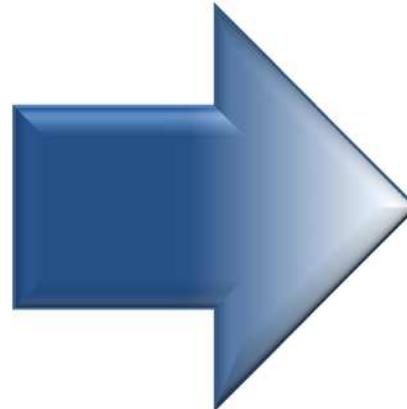
II. Internal Positioning

FROM

Lofty Boardroom
Rhetoric

TO

Grounded Business
Opportunities



- Business Goal: “To drive broad adoption of SCJ’s product categories by D&E consumers in Agona and Gomoa Districts of Ghana”
 - *Strong country-level support: complementary to local deep distribution strategies targeting C consumers*
 - *Expectations aligned with initial revenue/profit potential*



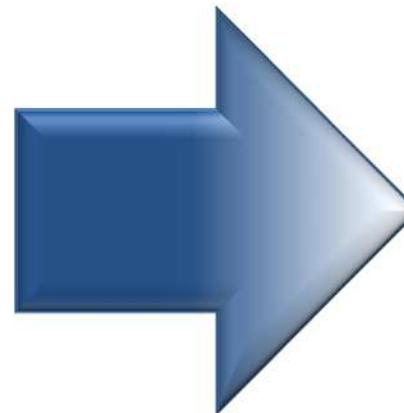
III. Project Management

FROM

Focus on Consumer
Engagement

TO

Focus on Economic
Drivers



- Business Concept/Product Offering Shaped by Continual Modeling of Key Business Drivers
 - *Offering and business model rooted in clear financial assumptions*
 - *Internal clarity on key performance determinants (i.e., dashboard of business drivers)*



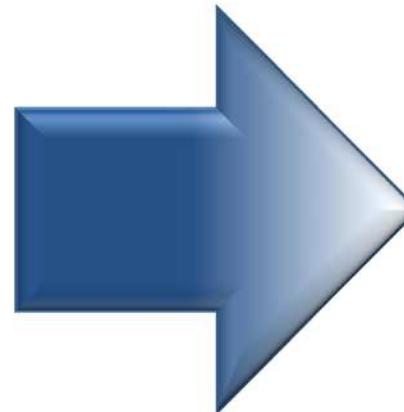
IV. Measurement

FROM

External Impact
Assessments

TO

Internal Business
Performance



-
- Measure of Malaria Impact: Units of Insect Control Products Sold
 - *A business outcome that proxies for the targeted social outcome*
 - *Metric that the company would track as part of regular operations*



Corporations & Poverty Alleviation

1. Corporations—*unlike non-profits*—were not built for poverty alleviation.
 - *Different resources, responsibilities, limitations*
2. Corporations can bring substantial value into lives of D&E consumers by doing what they were built for.
 - *Sell quality products & services at a sustainable profit*



*To maximize your
company's positive impact
on D&E consumers,
excel at the business
fundamentals.*



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Thank You!

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