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Developing Native Capability

What multinational corporations can learn from the base of the pyramid

A
FEW
years into
the 21st cen-
tury, multina-
tional corpora-
tions (MNCs) find
themselves on the
horns of a dilemma.
With the unprecedented
performance of stocks over
much of recent history as a
backdrop, their shareholders now
expect double-digit returns, yet the
global economy limps along at an
annual average rate of growth of only 2-
3 percent. In addition, most large companies
seem to be mired in saturated markets, so how
will they be able to achieve high growth in the
coming years? Meanwhile, the rapid rise of global
capitalism over the past decade has been accompanied
by mounting concerns over environmental degradation,
labor exploitation, cultural hegemony, and loss of local
autonomy, particularly among developing nations. Must cor-
porations' quest for future growth serve only to fan the flames
of the antiglobalization movement?

The best way out of this global "Catch-22" is for MNCs to focus
on emerging markets, not the incremental market expansion targeted
at the wealthy few, but the much larger base of the economic pyramid
(BOP) – where between 4 and 5 billion people (fully two-thirds of human-
ity) have been bypassed or damaged by globalization. Much like the prover-
bial iceberg with only its tip in plain view, this huge segment of the global pop-
ulation – along with its massive potential market – has remained largely invisible
to the corporate sector. To address this, MNCs must combine their advanced technology
and global reach with a new type of deep local understanding, based on engaging local

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