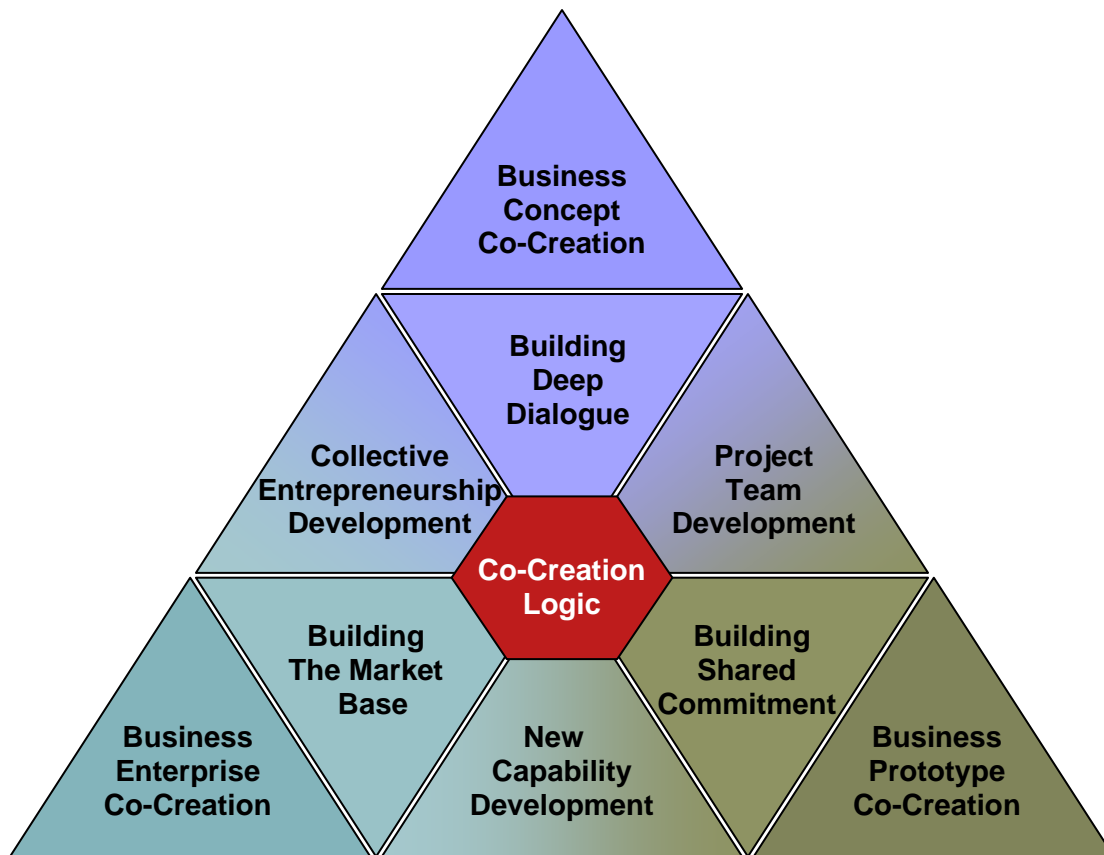# The Base of the Pyramid Protocol:
Toward Next Generation BoP Strategy

Second Edition
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Erik Simanis and Stuart Hart
Cornell University

With: Justin DeKoszmovszky, Patrick Donohue,
Duncan Duke, Gordon Enk, Michael Gordon, and Tatiana Thieme

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Table of Contents

The Base of the Pyramid Protocol:

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INTRODUCTION

Despite five decades and over $2 trillion dollars spent on foreign aid, the top-down prescriptions of the post-World War II "development regime" have proven ineffective. The Bretton Woods institutions, designed after World War II to manage the international financial system, are buckling under the weight of growing global discontent. The International Monetary Fund, the World Bank, and the World Trade Organization are under increasing fire, even from insiders such as Jeffrey Sachs, Joseph Stiglitz, William Easterly, and George Soros. Indeed, the so-called "Washington Consensus" is in disarray, having left a sting of financial crises in its wake.

Increasingly, the private sector has been called upon to direct its dynamism and innovation to bear on the complex global challenges these public institutions were established to address. Microcredit and microfinance have exploded onto the scene, offering commercially viable approaches for banking the unbanked. "Corporate Social Responsibility" and "Sustainability" have moved front-and-center for large corporations from GE and Wal-Mart to Toyota and Tata. Ironically, where governments have faltered, corporations have increasingly stepped up to the plate to tackle thorny global challenges ranging from climate change to poverty.

Notable among these recent corporate initiatives has been the quest to reach the "base of the pyramid" (BoP)[1] — the more than four billion people globally with per capita incomes below $1,500 (purchasing power parity). Since the idea was first introduced by C.K. Prahalad and Stuart Hart at the turn of the 21st century,[2] the list of large corporations transforming their business models to achieve the price points and cost positions required to reach the poor has grown. Single serve (sachet) packages, low-cost production, extended "mom and pop" distribution, and NGO partnerships have become *de rigueur*. Yet, in the rush to capture the "fortune" at the base of the pyramid, something may have been lost — the perspective of the poor themselves.

While commendable as an initial step, most "first generation" corporate BoP strategies have, in our view, failed to hit the mark. From Nike's "World Shoe" misstep to create an athletic shoe for low income markets to Hindustan Lever's sachet-packaged soaps, shampoos, and creams, these strategies represent arm's length attempts to quickly tap into a new market. Pushing the company's reformulated and repackaged products onto shantytown dwellers and rural villagers may indeed produce incremental sales in the near term. But in the long run, this strategy will almost certainly fail because the business remains alien to the communities it intends to serve.

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[1] We use the term "base" instead of "bottom" because of the negative connotations of the latter. We thank our colleagues Jim Johnson and Ted London and the members of the BoP Learning Laboratory for this suggestion.

[2] C.K. Prahalad and Stuart Hart (2002) "The Fortune at the Bottom of the Pyramid." *Strategy+Business* 26: 54-67.

Indeed, companies seeking to "target" the poor with affordable products, while well-intentioned, may inadvertently be engaging in the latest form of corporate imperialism. "BoP 1.0" strategies, whether guided by "ethnographic" market insights or country-level World Bank data, have implicitly imposed a narrow, consumption-based understanding of local needs and aspirations. A growing chorus of voices now raises concerns that corporate BoP strategies represent nothing more than veiled attempts to "sell to the poor," as though simply turning the poor into "consumers" will address the fundamental problems of poverty and sustainable development.[3]

If the enterprise-based approach to poverty alleviation is to flourish in the future, it is imperative that we now move rapidly to a "second-generation" of corporate BoP strategies. Second-generation BoP strategy requires an embedded process of co-invention and business co-creation that brings corporations into close, personal business partnership with BoP communities. It moves corporations beyond mere deep *listening* and into deep *dialogue* with the poor, resulting in a shared commitment born out of mutual sharing and mutual learning. It breaks down the wall that "public-private partnerships" inadvertently erect when NGOs become mediators and interlocutors between companies and poor communities rather than bridges uniting them. By creatively marrying corporations' and communities' resources, capabilities, and energies, "BoP 2.0" strategies bring to life new business ideas and models that exceed what either partner could imagine or create on their own. In sum, building a BoP business that creates enduring community value, while establishing a foundation for long-term corporate growth and innovation, requires an entirely new strategic process and corporate capability.[4]

Next Generation BoP Strategy

BoP 1.0	BoP 2.0
• **BoP as consumer**	• **BoP as business partner**
• **Deep listening**	• **Deep dialogue**
• **Reduce price points**	• **Expand imagination**
• **Redesign packaging, extend distribution**	• **Marry capabilities, build shared commitment**
• **Arm's length relationships mediated by NGOs**	• **Direct, personal relationships facilitated by NGOs**
"Selling to the Poor"	**"Business Co-Venturing"**

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[3] Aneel Karnani (2006) "The Misfortune at the Bottom of the Pyramid." *Greener Management International* 51(Summer): 99-110.

[4] For an in-depth analysis of "2nd generation" BoP strategy and capability development, please see Simanis and Hart (2008) "Beyond Selling to the Poor: Building Business Intimacy through Embedded Innovation."

Co-Creating
Mutual Value

To fill this capability gap, we have been deeply involved over the past five years in the design and development of a BoP 2.0 strategy process - the BoP Protocol (see Appendices 1 and 2 for an overview of the genesis of this project, as well as a set of Operating Business Principles). The BoP Protocol is a co-venturing process that integrates within a corporate entrepreneurship framework leading-edge thinking across a range of fields, including economic anthropology, international development, empathy-based design, and environmental management. As one senior manager familiar with the process describes, "*it is a structured approach to a non-structured challenge.*"[5]

Central to the BoP Protocol are the principles of "mutual value" and "co-creation." By mutual value, we mean that each stage of the process, not simply the new business, creates value for all partners in terms important to each. The "co-" component of "co-creation" captures the need for the company to work in equal partnership with BoP communities to imagine, launch, and grow a sustainable business. Co-development catalyzes business imagination and ensures the business model is culturally-appropriate and environmentally sustainable by building off

of local resources and capabilities. Importantly, it also expands the base of local entrepreneurial capacity. Key principles, techniques, and methods have been adapted from the fields of "participatory rural appraisal" (PRA)[6] and "asset-based community development" (ABCD).[7]

The "-creation" half of this logic reflects the view that a co-generated business concept has to be enacted through an evolutionary and highly interactive approach that ultimately crystallizes the new value proposition. In the absence of an existing product market that can be researched to reveal customer preferences and needs, the BoP Protocol uses action-learning techniques to roll-out a business concept in a low-risk manner. A "seed" value proposition is progressively evolved by the corporation together with community

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[5] We thank Mr. Upadrashta Purnachand of The Solae Company for this wonderful description.

[6] Participatory Rural Appraisal is a family of development approaches and methods that empower the poor to analyze their own needs and life conditions, to identify solutions based on local resources, and to take action. The methods, which are sensitive to differentials in power, status, and education (e.g., illiteracy), position the development professional as a facilitator of the development process, rather than as an expert solution provider. For more background on PRA philosophy and practice, see two seminal texts by Robert Chambers: *Rural Development: Putting the Last First* (1984) and *Whose Reality Counts?: Putting the First Last* (1998).

[7] Asset-Based Community Development (ABCD) is a development approach that, much like PRA, begins with the premise that poor communities are rich in resources, skills, and competencies which can and should form the foundation for advancing change in the community. For more information on ABCD, please see John Kretzmann's and John McNight's seminal book, *Building Communities from the Inside Out: A Path Toward Finding and Mobilizing a Community's Assets* (1993).

members through constant and deep interaction with the wider community. The creation process thereby ensures that the business is in tune with the broader community's needs and wants.[8]

This 2nd edition of the BoP Protocol reflects learnings gained through two ongoing applications of the process.[9] In 2005, SC Johnson launched a BoP Protocol initiative in Kenya. Less than a year later, in 2006, a DuPont subsidiary, The Solae Company, launched a BoP Protocol initiative in Andhra Pradesh, India. Both companies began the process in an urban slum and a rural village. Currently, SC Johnson is pursuing a business in partnership with slum communities in Nairobi. The Solae Company is developing separate business ventures with both a Hyderabad slum community and a rural village community in the Warangal District. To help bring to life core concepts and techniques, the BoP Protocol description below includes examples from the field experiences of SC Johnson and DuPont/Solae.[10]

A License to Imagine

Critics of globalization assert that any role multinationals come to play in addressing the challenges of poverty and sustainable development will necessarily be distant and impersonal in nature, driven by the logic of global competitiveness and economies of scale: Only locally-based initiatives can be truly culturally-appropriate and embedded in the local economy and landscape. "Small is beautiful," as the saying goes.[11] Critics also point out that some companies have chosen to simply adapt environmentally unsustainable products and services to sell in the BoP "mass market." Left unchecked, this path clearly leads to environmental oblivion: If 6.5 billion people (8-9 billion by mid-century) consume at the levels of today's typical American, we would need 3-4 planet Earths to supply the raw materials, absorb the waste, and stabilize the climate.

Through the BoP Protocol, we believe it is possible to shatter the presumed trade-off between being locally embedded and large in size, and between meeting the needs of the Base of the Pyramid and overwhelming the planet's ecological systems. Indeed, we believe the interconnected challenges of addressing poverty and human development and restoring global ecological systems present multinational corporations (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. Furthermore, taking the "great leap" to the BoP may be the wisest strategy for incubating the disruptive (and sustainable)

technologies and business models of tomorrow.[12] Learning to close the environmental loop at the Base of the Pyramid is one of the fundamental strategic challenges — and opportunities — facing MNCs in the years ahead.

The time is now to acquire the license to imagine. By practicing a new, more inclusive brand of business development — one that deeply engages previously excluded voices, concerns, and interests — the corporate sector can become a catalyst for a truly sustainable form of world development and prosper in the process. The BoP Protocol, in our view, provides a roadmap for securing this license to imagine and embarking on this journey.

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[11] E.F. Schumacher (1974) <u>Small is Beautiful: A Study of Economics as if People Mattered</u>. Abacus. London.

[12] Clayton Christensen and Stuart Hart (2002) "The Great Leap: Driving Innovation from the Base of the Pyramid." *Sloan Management Review* 44(1): 51-56.

The Base of the Pyramid Protocol

PREFACE

PREFACE

We preface this 2nd edition of the BoP Protocol by, first and foremost, extending our deepest thanks to the community members in Kenya and India who, together with SC Johnson and DuPont, have embarked on this uncharted journey with us. We owe them all a debt of gratitude, as their sustained commitment to realizing an entrepreneurial vision has made this 2nd Edition possible. The names of these men and women can be found in Appendices 3(a) and 3(b).

We are also grateful to the organizations that have provided resources to support the initial development of the BoP Protocol. Corporate partners in this effort are DuPont, SC Johnson, Tetra Pak, and Hewlett-Packard. Institutional partners include Cornell University's Center for Sustainable Global Enterprise, University of Michigan Business School, William Davidson Institute, World Resources Institute, and the Johnson Foundation.

Lastly, we offer a humble admission that we have much to learn. Our own in-field experiences have not unfolded smoothly and without road bumps and u-turns. Our initial theories were not always sufficient in addressing the complexity of real life. Yet, having managed these challenges first-hand, this revised and updated edition of the BoP Protocol represents deeply "grounded" theory that is robust enough to respond to a diverse range of corporate contexts. As the SC Johnson and DuPont initiatives evolve, and as new projects are launched, we fully expect that our understanding and recommendations will likewise evolve to better capture the complexity of this challenge. We look forward to sharing these learnings in future editions of the BoP Protocol.

The Base of the Pyramid Protocol

PRE-FIELD PROCESSES

PRE-FIELD PROCESSES

The BoP Protocol process begins with a *pre-field phase* that consists of three interdependent activities: 1) the selection of appropriate BoP project site(s); 2) the formation and training of a multi-disciplinary corporate "field" team; and 3) the selection of local community partners. A fourth core activity is the creation of an enabling environment or "R&D White Space" within the corporation that supports experimentation outside of the current business model and business development process. Depending on the company's experience in the Base of the Pyramid, and the extent of its social networks in the region of interest, the length of time needed to complete pre-field activities will range from two to four months. A site visit by the team lead prior to in-field work is helpful for addressing logistical issues (e.g., communication, housing) and building a common understanding among all local partners of the project intent and each others' role in the process.
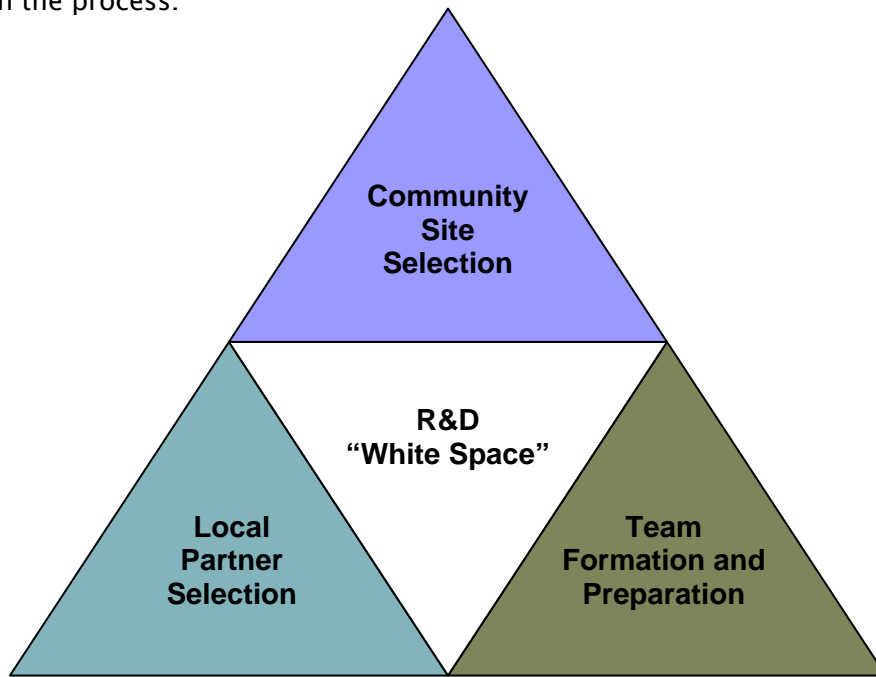
Site Selection

The project sites should be located in countries or regions which are considered to be of vital, long-term strategic interest and where some facilities exist, but in which the corporation does not already have an extensive, entrenched business presence. Such locations ensure that the project garners steadfast corporate support and resources throughout the business development process, while reducing the risk that the initiative is "captured" by the corporation's "traditional" business norms and practices. The presence of existing facilities and staff also facilitates relationship building between the corporate team and the community partners by providing a tangible place (e.g., an office) for partners to visit that reflects the corporation's culture and nature of operations.

Launching the project in more than one community can create valuable opportunities for learning and sharing across communities and can, particularly in later stages, serve as a source of solidarity. This is true if the sites are sufficiently close to one another (e.g., within a two or three hour distance and reachable by public transportation) to allow for visits and exchanges. However, multiple sites significantly increase the complexity of coordination and demand greater time and resources to manage. This is particularly the case if the project is launched in both an urban (shantytown) and rural (village) setting, as the difference in context will likely result in the evolution of two distinct business models. Importantly, a company should only launch multiple project sites if it is able and willing to support each of them fully throughout all three phases of the BoP Protocol.

Real World Example

SC Johnson launched its BoP Protocol project in the neighboring Nairobi slums of Kibera, Mathare, and Mitumba and in the rural village of Nyota Township. Nyota, which is accessible by auto vehicle only, is located approximately 5 hours outside of Nairobi.

The Solae Company's initiative began in the Hyderabad slum cluster of Rasul Pura, as well as in rural Parvathagiri "Mandal" (i.e., county). Parvathagiri Mandal can be reached from Hyderabad via a 2-hour train ride and an additional 1-hour car or bus ride. A third "sister site" was later launched in Mumbai.

Both SCJ and Solae had prior, yet relatively small, business operations in their chosen project countries.

Team Formation & Preparation

The initial corporate team should consist of approximately four people per site. It is vital that this team possess a range of functional expertise, (e.g., strategy, marketing, and R&D) both to ensure that the business ideas generated draw broadly on the company's capabilities and to provide continuity throughout the business development process. It is equally important that among the corporate team members is an experienced development practitioner with deep understanding of community facilitation and mobilization, particularly within a social-entrepreneurship framework. One or two additional members with deep ties to the community are added to the corporate team once the site and local partner are established. Doing so enhances the community's openness and provides a comfortable contact person to whom community members can raise questions and provide feedback on the team's performance.

The initial corporate team, together with other members of the corporation providing guidance and support to the initiative, receive training in core BoP business concepts, participatory methods, and the BoP Protocol process to instill a shared ethic and to build a common base of skills. Prior to entering the field, the corporate team develops and rehearses a shared representation of the corporation and the project objectives using a language appropriate to the local community, thereby ensuring a clear and consistent message.

Corporate team members are selected on the basis of entrepreneurial experience and passion for engaging issues of poverty and sustainable development through

enterprise. A blend of experienced managers with five or more years of service within the corporation along with younger (even new) talent ensures the team has deep insights into the corporation's capabilities and technologies while remaining open to new possibilities and ways of operating. A team diverse in gender and age may also permit access to a wider range of people in a community. Corporate team members should be drawn, as much as possible, from the country where the project is based, as this creates a pool of local and "field-tested" talent to support the business in the subsequent phases of the BoP Protocol.

> ### *Real World Example*
>
> *The Solae Company's team consisted of two recent MBA graduates of the Indian School of Business with prior experience in operations and marketing and an expressed interest in the BoP, and four senior-level development professionals on secondment from the Indian office of Aide et Action, an NGO skilled in the use of participatory methods. The team was guided in the field by two returning members of the SC Johnson Kenya project based in the US (Cornell University) and Brazil (BRINQ). The team reported to a senior-level Solae employee experienced in new business development.*

Local Partner Selection

A local partner such as a community based organization (CBO) plays a critical bridging role at the start of the project and helps facilitate new relationships between the corporation and the community. The corporate team will enter the community as an "outsider" and will, in the beginning, depend heavily on the social capital, trust, and community knowledge that a local partner provides. Local partners are financially compensated for their time and for any use of their facilities and other resources. However, it is important to maintain as flexible a partnership arrangement as possible, as the actual needs of the project are highly contingent and cannot be foreseen.

The most important characteristics of an effective local partner are 1) that the organization is open to learning new capabilities and using enterprise as a way to advance its mission; 2) that its staff is experienced in using participatory development practices; and 3) that it is "socially embedded" in the community. Key indicators of an organization's degree of embeddedness include whether its offices are located in the community and whether its staff is drawn from and/or live in the community. Locating embedded community partners is not easy, as they are, almost by definition, small in size and operate intensely within a narrow geographical range. In some cases, they may be identified through large, well-known multinational funding agencies (e.g., Oxfam, CARE) which often contract with them to implement their own programmatic efforts.

Real World Example

SC Johnson's local partner in Nairobi is Carolina for Kibera (CFK). CFK, founded in 2001 to fight poverty and help prevent violence through community-based development, has its office in Kibera and draws the majority of its staff from the community.

In Parvathagiri Mandal, The Solae Company partners with Modern Architects for Rural India (MARI). MARI, which was founded in the late 1980s by a team of social workers, works intensively in a four mandal area that includes Parvathagiri Mandal and promotes strong community-based organization of the poor. The director of MARI lived for four years in Parvathagiri, and maintains a small office in the community. Both the SC Johnson and Solae teams were supplemented with 2-3 members from each of these organizations.

R&D White Space

To derive the maximum value and benefit from a BoP Protocol initiative, it is necessary to create a corporate "R&D White Space" that enables linkages to corporate-level resources and capabilities while at the same time maintaining sufficient independence from the routines, metrics, and structures that govern the core business. Corporate BoP Protocol initiatives are most appropriately (and perhaps most easily) funded through an R&D budget, as the process is best characterized as a special kind of "research and development" — business model R&D. As with traditional R&D, the potential for innovation is greatest when the initiative is supported by patient capital, has full license to experiment outside of the current corporate *modus operandi*, and is evaluated against long-term milestones that emphasize learning. Since pursuing the BoP requires wholesale development of new skills and capabilities, the "R&D mindset" makes implicit sense as it eliminates the expectation for quick returns, rapid scale-up, and the other financial requirements imposed on conventional new business development initiatives.

While it is important that a BoP Protocol initiative has independence from the corporation's core operating procedures and norms, flying completely "under the radar" in a "skunk works" manner risks cutting the initiative off from the company's broad base of technologies, human resources, and organizational capabilities. Given that the corporation's (and community's) capabilities are the building blocks from which the new BoP business will be imagined and created, restricting access to these capabilities limits the team's scope for innovation and constrains business possibilities. In all cases, particularly if "flying under the radar" is deemed politically necessary, the team should report to and/or be supported by a senior-level person in the company to facilitate the team's access to resources and capabilities that may cut across geographical areas and organizational boundaries.

Real World Example

The SC Johnson initiative was championed by the CEO of the company and directed by a senior VP who was head of the company's corporate sustainability unit. From inception, the project also established a strong lateral connection with the General Manager of the company's East Africa business (based in Nairobi) and the Regional Manager for South and East Africa in South Africa.

The Solae Company initiative was championed by the CEO of the company and led by a senior director from the company's Sales and Marketing division. A lateral connection was also established between the project and Solae's India office in Delhi.

The Base of the Pyramid Protocol

IN-FIELD PROCESSES

OVERVIEW

IN-FIELD PROCESSES OVERVIEW

The *in-field process* is divided into three interdependent phases of activity that build a new, locally-embedded business and catalyze the local market in a progressive, evolutionary manner. The three phases can be envisioned as "fractals" of a triangle, each overlapping and evolving as activities flow from one stage to the next. Each phase has business outcomes along key enterprise (internal) and market (external) dimensions to reflect the increasing depth and complexity of the new business and the expansion of market demand and brand awareness. A co-creation logic — one premised on joint decision making by the corporation and the community in which decisions are informed by action-based learning and experimentation — guides the business development process from beginning to end. Importantly, the BoP Protocol process establishes a local "community team" with the ability to eventually manage and lead the new business independently as the corporation turns its attention to re-embedding the proven business in other communities (see Scaling the BoP Protocol, page 41).

A brief summary of each phase follows on the next page.

Phase I — **Opening Up**
- Business Concept Co-Creation
- Building Deep Dialogue
- Collective Entrepreneurship Development
- Project Team Development

Co-Creation Logic

Phase II — **Building the Ecosystem**
- Building Shared Commitment
- Business Prototype Co-Creation

Phase III — **Enterprise Creation**
- Business Enterprise Co-Creation
- Building The Market Base
- New Capability Development

Phase I — Opening Up

Opening Up begins with a company immersion in the community using homestays to build rapport and a base of trust. The company then recruits a community team representative of the community's diversity that is committed to working together with the corporation to develop new business ideas that can benefit all parties. A series of participatory workshops are designed to build understanding and a shared business language between the two groups. The phase culminates with idea co-creation workshops that converge the group on a single, actionable business concept.

Phase II — Building the Ecosystem

Building the Ecosystem begins by formalizing a project team comprised of company representatives and those community members who remain committed and motivated to building the new business. Role playing and group field visits are used to ensure that all team members develop a rich, shared vision of the business and a deep sense of

responsibility for its success. Action learning is used to build the project team's business skills and conceptualize an initial business prototype. The prototype, which is evolved by reaching out to the wider community thereby creating "buzz" around the business, consists of the initial product/ service offering and an umbrella brand position.

Phase III — Enterprise Creation

Enterprise Creation creates the full business model using small-scale tests and continued action learning. Local market demand is jump-started through engagement of the wider community in this process. The community team deepens its management skills with the goal of eventually managing and leading the new business independently. At this time, the corporation puts into place a platform to support the replication of the new business in other geographies. The output of this phase is a business embedded in the social fabric of the community.

Key outputs from each phase are shown on the next page.

Phase I — Opening Up

Enterprise Co-Creation	Market Co-Creation
• **Business Strategy:** Actionable "umbrella business concept" • **Organization Culture:** Cautious trust and deep respect from community members and local CBO • **Team Roles:** Tested cohort of community partners and company team members committed to joint action	• **Brand Recognition:** Broad awareness of company name and strong face-recognition of company team members • **Business Alignment:** Clarity within community around company's general intentions

Phase II — Building the Ecosystem

Enterprise Co-Creation	Market Co-Creation
• **Business Strategy:** Community-tested business prototype • **Organization Culture:** Shared understanding of business model and value created and deep commitment to its success • **Team Roles:** Identification of individual's business and leadership skills and effective group decision making processes	• **Brand Recognition:** Heightened community awareness of emerging company and broad interest in team's efforts • **Business Alignment:** Feeling by broader community of active participation in development and evolution of the business offering

Phase III — Enterprise Creation

Enterprise Co-Creation	Market Co-Creation
• **Business Strategy:** Locally-embedded business enterprise • **Organization Culture:** Organizational culture that reinforces business brand and offering • **Team Roles:** Community business team with requisite management skills to sustain and drive the business	• **Brand Recognition:** Deep embedding of company brand within social consciousness of community • **Business Alignment:** Feeling by broader community of loyalty and commitment to the local business

The Base of the Pyramid Protocol

IN-FIELD PROCESSES
PHASE I

IN-FIELD PROCESSES
PHASE I — Opening Up

Phase I, "Opening Up," lays the foundation for creating a new partnership united by trust, mutual commitment, and a shared vision for a new business enterprise. It encompasses the steps involved in overcoming the skepticism and cultural distance between the corporation and the community, and ultimately forges a personal, peer-to-peer relationship on which a business partnership of equals can be built. The total time needed to complete the in-field activities of Phase I is about eight to ten weeks per community site.

Importantly, all knowledge generated during this phase is made broadly available to the community and local partners. This is done in recognition of the participatory principle of joint ownership, as well as to ensure transparency and minimize the circulation of potential rumors regarding the corporation's intent. The information can be made available through various kinds of "base camps," ranging from the local CBO partner's office, a local school or community center, to a government office frequented by and easily accessible to community members.

Phase I begins with **building deep dialogue**, then progresses to **project team development** and **collective entrepreneurship development**. The outcome of phase I is the **co-creation of a business concept** that all the partners can agree upon.

Phase I
Opening Up

Business Concept Co-Creation

Building Deep Dialogue

Collective Entrepreneurship Development

Project Team Development

Co-Creation Logic

Enterprise Creation

Building the Ecosystem

Building The Market Base

Building Shared Commitment

Business Enterprise Co-Creation

New Capability Development

Business Prototype Co-Creation
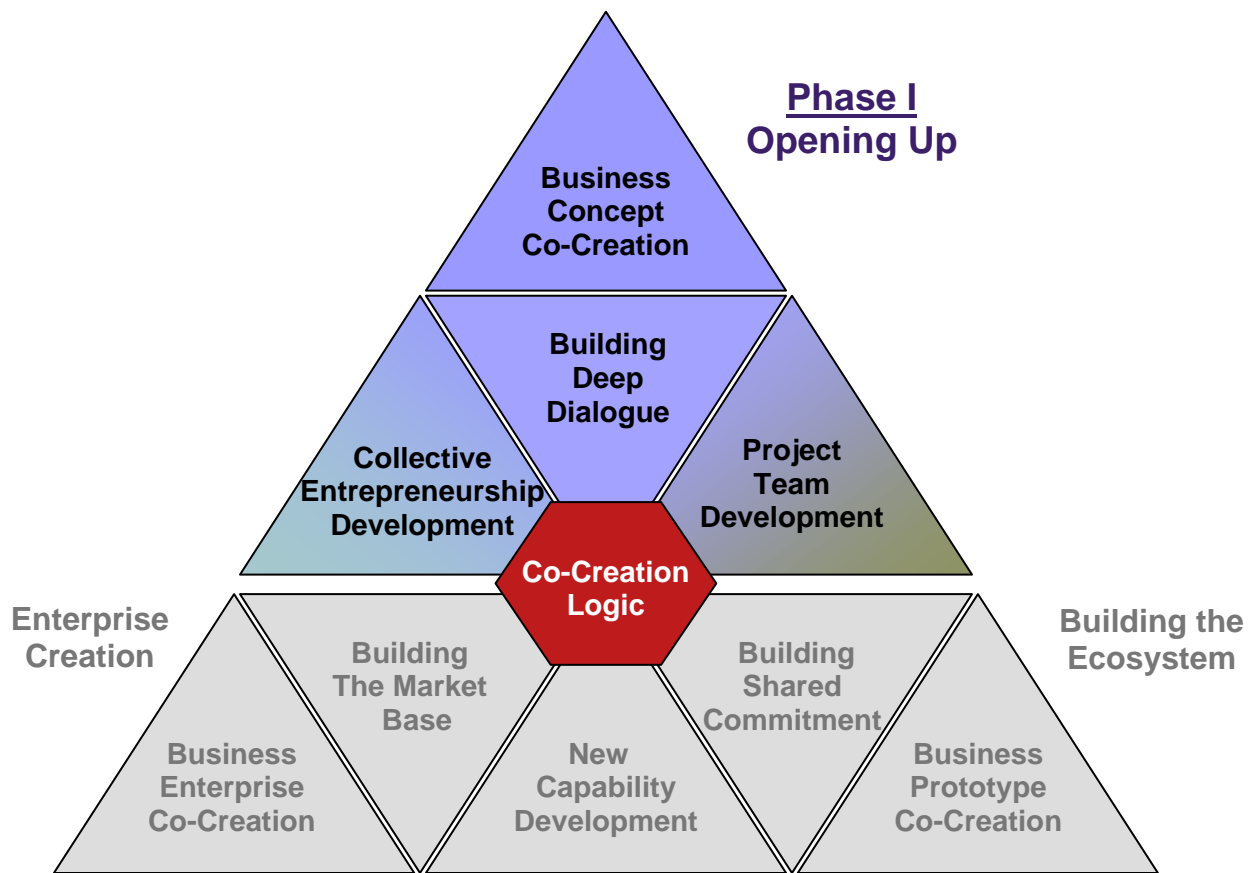
Building Deep Dialogue

The corporate team enters the community with no preconceived product ideas and no initial commercial agenda. The focus is to start building relationships with local people and to gain an appreciation for how people in the community live their lives. Because of the corporate team's "outsider status," it is valuable to hold several small-group community meetings hosted by the local partner to introduce the corporate members and the company, to explain the team's intent, and to answer any questions people may have. When possible, the team also engages in additional "ice-breaking" opportunities, such as participation in a community event hosted by the local partner, to ease the transition into the community.

Following these initial introductions, the corporate team works together with the local partner and members of the community to identify families or individuals willing to host the team members in *community homestays*. The focus of the homestay is not about collecting ethnographic data nor scoping out potential business opportunities. It is about building trust and rapport. As much as possible, the host individuals and families

> ### Real World Example
>
> *Over the course of a 7-day homestay in two adjacent villages of Parvathagiri Mandal, three Solae team members participated in a range of work-related activities, including harvesting rice, manning a small kiosk selling "cool drinks," operating a village pay phone, and preparing a mid-day meal for children at a government-run crèche.*
>
> *In Nairobi, SC Johnson team members cooked and sold "mandazi" (a Kenyan fried bread) by the roadside, collected trash and sorted recyclables with a youth group, and sold hand-stitched clothing from a small kiosk.*

should reflect the cultural and socio-economic diversity within the community. During the community homestay, each corporate member lives full-time, for at least one week, with a family or individual in the community and assists the host with daily chores and income-generating activities.

Corporate team members need to be mindful that, in their zeal to learn from their hosts and participate in chores, they do not create an additional burden on their hosts. Appropriate compensation for the hosts should be decided by the local partner in consultation with community members. Following the homestays, the corporate team lives in or as close to the community as possible to maximize informal relationship-building opportunities and to reinforce the corporation's commitment to working with the community.

Project Team Development

After the initial immersion, the corporate team's focus turns to recruiting a representative group of people from the community who are committed to working together with the corporation to develop new business ideas that can benefit all parties. The corporate team and the recruited community members together form the Project Team.

To begin the recruitment process, the corporate team works through the local partner's social networks, holding intensive small-group meetings to share in greater depth the corporation's partnership intentions while being sure to inquire into and highlight the community's unique strengths and knowledge. The conversations need to emphasize the entrepreneurial nature of the effort. It requires striking a balance between inspiring and motivating people as to the unique business possibilities that a partnership holds, and tempering expectations that business success is certain and rapid. Given the open-ended nature of the project and many BoP residents' prior encounters with government officials and aid workers, the corporate team may also need to overcome distrust and expectations of largesse (e.g., grants, loans, jobs).

To ensure that the corporate team isn't creating a class of "gatekeepers," the team uses Participatory Rural Appraisal (PRA) techniques such as social and institutional mapping. The mapping, which is done at a time and place that encourages broad community participation, highlights the

> ### *Real World Example*
>
> *In Parvathagiri Mandal, women from the self-help groups that the Solae team met insisted initially that the team "was hiding something" and requested the team to "tell us the business you want us to do."*
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> *In Nairobi, members of numerous self-help youth groups responded to the SC Johnson team's question as to the youth's initial interest in forging a business partnership with the reply: "Absolutely — if you buy us a truck, we will wear t-shirts with your logo."*

variability in the community across multiple dimensions, such as poverty, caste, occupation, access to resources, and age. Using the maps, the corporate team identifies additional individuals and groups to meet with and invite into the partnership. The team should recruit approximately 40 to 45 people into the Project Team to participate in the ensuing stages of the process, recognizing that not all of the initial participants will elect to continue as they gain a better understanding of what the project entails. During this time, the corporate team also uses Rapid Assessment Process (RAP) to explore issues and questions about the community that surface during the mapping sessions and/or meetings.[13]

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[13] Rapid Assessment Process (RAP) is a methodology used to quickly develop a holistic understanding of a complex issue that lacks clearly defined boundaries. RAP relies on a diverse team composition and open-ended, semi-structured interviews to develop an "insider's" perspective of the issue and to triangulate root cause/s of a problem. For more information, see James Beebe's (2001) *Rapid Assessment Process: An Introduction.*

Collective Entrepreneurship Development

To harness the creative potential of the newly-formed Project Team (i.e., the corporate team together with the recruited community members), it is necessary to first build a shared business language and to develop the group's ability to think and work together as entrepreneurs and business partners. Establishing trust and mutual respect is central to this task. This is accomplished through a series of day-long, *participatory workshops* that alternate between small, break-out group activity and full group analysis and reflection. The workshops adapt traditional PRA techniques, such as community transects and participatory photography, within an entrepreneurship framework. Through these sessions (which focus on topics such as "successful partnerships," "unique customer value," and "dimensions of a business concept"), the Project Team explores its joint resources and capabilities, as well as the potential needs and wants in the community.

The emphasis should, at all times, be on shared commitment, joint effort, and mutual value. As a rule of thumb, the corporation should avoid paying community members for their attendance at the workshops, as this changes the nature of the budding relationship from one of "partner/colleague" to one of "client/ employee." However, costs incurred to attend the workshops, such as transportation, are typically reimbursed. As well, food is provided, depending on the length and time of day of the workshops.

At the same time, it is important that the corporate members of the Project Team remain attuned to how the project's demands on peoples' time may differentially affect some community members (such as those reliant on intermittent day labor). Indeed, one of the central challenges during this period is to cultivate norms of punctuality and responsibility necessary for effective group performance while remaining flexible and adaptable to the diverse demands on the Project Team's time.

Real World Example

In Hyderabad, the Solae Project Team dispersed across different areas of the Hyderabad slum community in five mixed groups to photograph local community resources and reflect on their current uses. When the groups reconvened, the photos were projected onto the wall, and each group described the resource's current use and brainstormed ways that it might be utilized to serve new purposes. One of the resources analyzed during this process — rooftops of homes and buildings — formed a vital dimension of the ultimate business concept that was co-created.

Business Concept Co-Creation

The capstone activity of Phase I, business concept co-creation, begins by developing criteria for business success, both from the community's and the corporation's perspective. Using these criteria as general guides, the Project Team breaks into mixed breakout groups and brainstorms broad, actionable business concepts born of the resources, wants, and needs of the various partners. The process moves between brainstorming and critical reflection and assessment, iterating over a period of several weeks until the groups can converge, ideally, on a single business concept with a unique and compelling value proposition. Focusing the Project Team on a single output encourages information sharing and critical and open analysis of each other's ideas, thereby leading to a robust concept that has the commitment of the entire Project Team from its inception. In between iterations, RAP is used to 1) test-out assumptions; 2) gain additional information relevant to the emerging business concept/s; and 3) engage the broader community in the business development process.

While the business concept needs to be immediately actionable to maintain community interest and project momentum, it is also vital that it be sufficiently broad so as not to constrain the new business within a narrow band premised solely on current products, technologies, and resources. The intent of concept co-creation is not to be additive and to simply couple the resources of the corporation with those of the community (e.g., selling a current product through an existing self-help group network). Instead, the intent is to be generative and to develop a concept that exceeds what either the corporation or community members currently do. Focusing the Project Team on resource functionality and broad service themes rather than on specific products is one technique to build a "big umbrella concept."

Creating a "big umbrella" provides valuable flexibility to adapt and evolve the business model as the Project Team learns what does and does not work. It also establishes a strategic framework to guide the corporation's longer-term product and technology development efforts focused on the unique needs and context of BoP communities.

Real World Example

In Hyderabad, the Solae Project Team converged on the concept of a "Culinary Park" that linked the expressed needs for local greenspaces, fresh and affordable produce, and healthy, high quality food options. The culinary park takes advantage of the availability of building rooftops in the slum that can be adapted for use as rooftop gardens. The exact nature of the food products and services to be offered are expected to evolve as the concept is put into action and will likely vary from one neighborhood to the next.

The Base of the Pyramid Protocol

IN-FIELD PROCESSES

PHASE II

IN-FIELD PROCESSES
PHASE II — Building the Ecosystem

Once the Project Team settles on an umbrella business concept that has the potential to generate value for all partners, the initiative enters Phase II, "Building the Ecosystem." The objective of Phase II is to build an organizational foundation for the new business and to develop an initial product/service offering through an action-learning process that deepens and extends the linkages among the Project Team, the broader community and other (potentially new) local partners. During this period, the Project Team gets "on the ground and into the field." Working hands-on, the Team addresses the various practical issues involved in operationalizing the business concept and develops an initial business "prototype" through small-scale experimentation. This phase is about gradually *enacting and evolving* the business concept at a low-level of complexity, rather than *hypothesizing and testing* an ideal, full-blown business structure.

Phase II also marks an important transition in the role of the local (CBO) partner and the community members on the Project Team. As the intent is to establish a new business that unites the community with the corporation, it is vital that the corporate and community members develop the capacity to work directly with each other. In this way, Project Team members learn to rely on and trust one another to overcome challenges and negotiate differences.
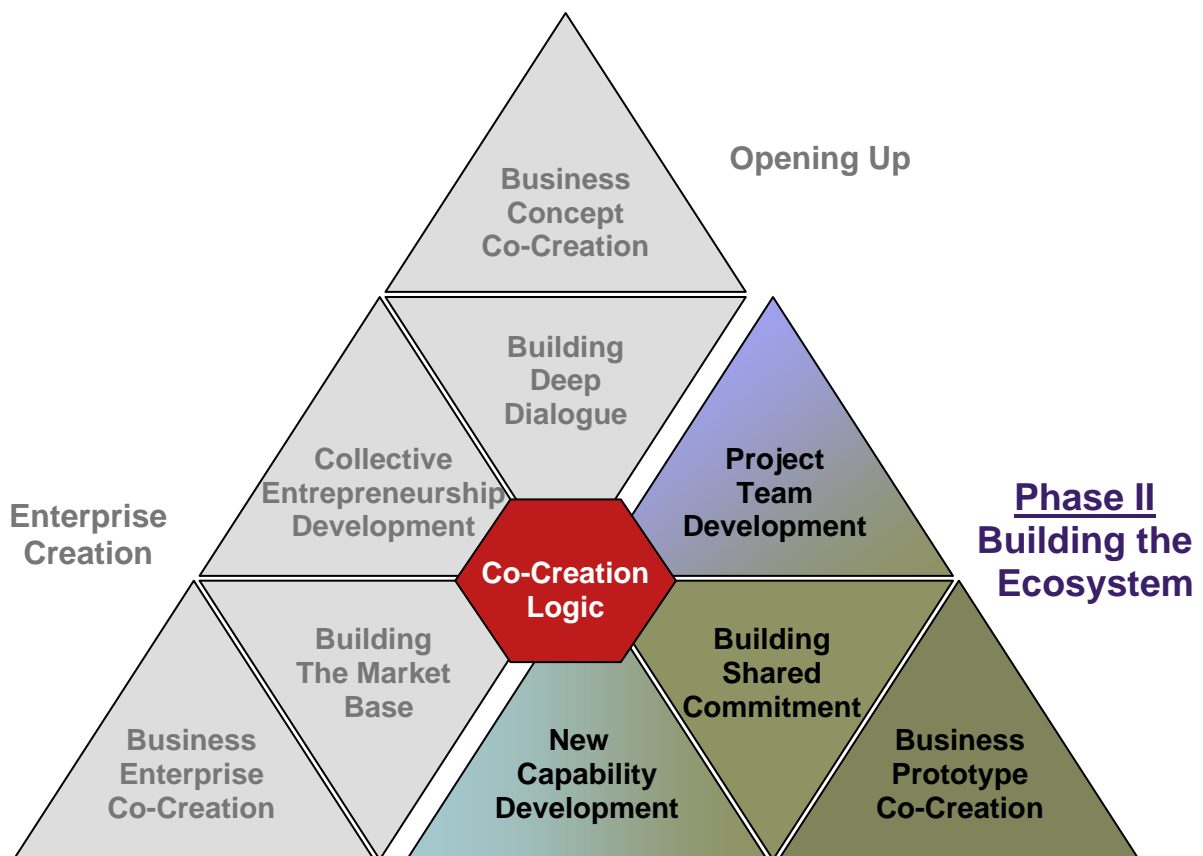
While the local CBO partner was critical in providing an initial "bridge" and entry point into the community and facilitating the partnership, in Phase II the CBO and other partners shift into a "behind the scenes" role where they function as project advisors and guides. Thus, while their degree of involvement may remain the same, the nature and the visibility of this involvement changes. Their evolving role allows the corporate and community team members to forge a more direct interdependence and to develop the necessary co-creation capabilities. As in Phase I, partners are compensated for their time and resources.

During Phase II, the community members that comprise the Project Team transition into full-time roles as co-founders of the new business. Community team members have equal responsibility, along with the corporation, for starting the new business, as they will ultimately manage and direct it independently. They do not, however, have the same capacity to bear risk as the corporation. In addition to meeting their own daily needs, community team members will likely shoulder the responsibility of supporting and caring for their families. Weddings, illness, and weather-related crop failures can create financial shocks to the household. For this reason, it is critical that

business prototyping activities are structured so that community team members can generate income and that the Project Team is organized in a manner that creates an insurance mechanism to respond to financial contingencies.

Depending on the number of sites and the nature of the business concepts, total time needed to complete Phase II is approximately six months. To preserve project momentum and strengthen the fragile community trust, it is important to minimize the transition time from Phase I to Phase II to no more than 6 weeks. Phase II begins with further **project team development**, then progresses to **building shared commitment** and **new capability development**. The outcome of Phase II is the **creation of a viable business prototype**.

Project Team Development

In Phase II, the Project Team begins the transition into a formal business organization. Community membership in the Project Team is comprised of those original participants who remain committed and motivated to invest time and "sweat equity" in building the new business. A community team size of approximately 20 members is optimal, as tasks can be efficiently divided up among sub-groups of 4-6 people, thereby allowing the business to progress faster. Splitting up project work is particularly important at the beginning of Phase II, as community team members will be transitioning from their other livelihoods and will not be able to dedicate all of their time to the business. Significantly exceeding 20 members causes coordination strain. More importantly, it places tremendous revenue pressure on the business in Phase III, as the fledging

business now has to support a large number of people.

Depending on the nature of the business concept and the current team constitution,

Real World Example

In Parvathagiri Mandal, the Solae Project Team felt that, in order for the business to be successful, the Team would need to include some of the younger mothers and single women in the community, as well as representatives from the Scheduled Castes (members of the lowest caste groups). Over the course of an eight-week period, the Project Team reached out to approximately 10 more women, eventually inducting six of them. The induction process involved pairing each new member with a "sponsor" from the original team, who was tasked with teaching the new member about the project history and the business venture. A formal ceremony was held to recognize their entry onto the Team. The eventual size of the Project Team was 24.

additional members from the community are recruited into the project to fill skill and experience gaps. These new recruits ensure representation from key segments of the community, including those that are the poorest. A team that represents the community's diversity will help ensure the broadest level of support for the new business. All new members should undergo a thorough induction process to ensure a common understanding of the project's history, the Protocol approach, and the business concept. Members should also be fully aware that the venture will take time and hard work to bring about and that success is not guaranteed. Importantly, the community members themselves should articulate a set of norms and requirements for ongoing participation.

Corporate membership in the Project Team is comprised of two to three people (per site), ideally drawn from the original corporate team to ensure continuity. Given the unique challenges of co-venturing, the corporate members should include an experienced person with demonstrated ability in entrepreneurship, as well as community facilitation and mobilization. Other corporate members, who may be of a more junior-level, need to possess an understanding of new business development and community facilitation principles and a deep commitment to a participatory ethic. These individuals are also chosen with an eye toward building the company's capability to later replicate and extend the business to new communities and geographies. If the corporate members did not participate in Phase I, it is vital that the corporation include as part of its team one or more returning members from the local CBO partner to ensure continuity and to retain the personal relationships forged. As with new recruits to the community team, any new members joining the corporate team should complete a thorough induction process (including homestays) to ensure deep alignment with the Protocol process and business intent.

Building Shared Commitment

A sense of shared commitment to the new business and to each other is essential for weathering the challenges that confront all joint entrepreneurial undertakings and for building the new company's base for sustainable competitive advantage. Creating shared commitment to the new business requires, first and foremost, that all members of the Project Team are in complete alignment as to the core business concept to be pursued and the value that each dimension or component of the business concept generates. Role playing and group field visits are powerful techniques by which all members can develop a rich, shared vision of the business and a deep sense of responsibility for its success. In addition, collectively drafting a "strategic brief" of the initial business concept (translated in the local vernacular) and updating the description as the concept evolves over the course of Phase II provides a valuable reference point for the Project Team and helps maintain this alignment.

Creating shared commitment among the corporate and community members of the Project Team requires deepening the

personal relationship between the two partners and, ultimately, developing a new, shared organizational identity. While the co-creation process itself is the primary mechanism for building this deep interdependency, a number of related actions and activities support its development. When possible, inviting the community team members to the corporation's local facilities, and hosting periodic team meetings at the corporation's office build a sense of reciprocity and help to personalize the company. Similarly, having senior members of the corporation travel periodically to the community to meet and work with the Project Team demonstrates the corporation's commitment to the project.

Additional actions that help foster a new, shared identity include the joint development of a "business credo;" securing a space within the community to serve as the Project Team's "office" space; and selecting a provisional name for the Project Team that signifies an affiliation with the corporation.

> ### *Real World Example*
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> *In Parvathagiri Mandal, the women community members on the Solae Project Team greeted a new member from the Solae Company visiting the project for the first time. When he introduced himself to the women and mentioned that "Solae" was pleased to be working with them, one of the women raised her hand and said: "We are pleased that you are able to join us, but...WE are Solae!" Clearly the Protocol process had instilled a deep sense of shared identity and commitment.*
>
> *In Nairobi, community team members translated SC Johnson's corporate credo into the local Swahili dialect, Sheng, in the process of developing a set of jointly-developed business principles to guide the Project Team. A representative consolidation team eventually drafted a unified statement that reflected the full Project Team's shared principles and values.*

New Capability Development

The Project Team needs to possess a common baseline knowledge regarding products and technologies to ensure consistency across all interactions with the broader community. In addition, to facilitate the development of an initial product/service offering, the Project Team must have an understanding of general business concepts (e.g., pricing, brand building) and the local business context (e.g., local market value chains). Knowledge and capability gaps among Project Team members are co-identified and specific expertise is sourced from within the corporation, the local CBO partner, and the community as a way to further build mutual commitment and deepen community integration. All team members are thus both teachers and learners. Documenting and codifying key learnings helps to ensure consistency in the Project Teams' understanding and provides a tool for inducting future members.

Whenever possible, action learning techniques are used in place of classroom-style "lecturing." Action learning — which

> ### Real World Example
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> *In Nairobi, the Project Team was connected to SC Johnson's corporate R&D staff to understand the potential health, safety, and environmental issues associated with providing "home health and cleaning services" to the mostly single-room mud homes of the slums. Over the course of these conversations, the Project Team and SCJ's R&D staff felt that an effective cleaning service would need to incorporate Integrated Pest Management (IPM) techniques, an area in which the R&D staff had limited experience. Subsequently, to understand how to best integrate IPM into the business service, the Project Team provided free cleanings to the Team members' families and neighbors in exchange for candid feedback. Importantly, SC Johnson's own R&D staff had to broaden its scope, as well.*

involves addressing real, work-based problems in small groups — develops practical and relevant business skills and enhances the community and corporate team members' ability to work together. In addition, it helps sustain the Project Team's momentum and enthusiasm, as all "learning" is tied directly to important business outputs. Lastly, action learning highlights individuals' talents and skills, thereby providing a basis for matching Project Team members to tasks and project roles rooted in demonstrated ability and interest, rather than on status or seniority.

Business Prototype Co-Creation

Once all Project Team members possess a deep, shared understanding of the business concept, focus turns toward developing an initial product/service offering and brand positioning. It is important to note that this activity does not involve conducting survey-based market research, which is then channeled into a detailed business plan with forecasts of product sales and revenue streams. Such a "planning and discovery" approach fuels expectations of rapid success among the Project Team, promotes politicking regarding anticipated revenue distribution, and prematurely freezes the value proposition.

Instead, business prototype co-creation uses action learning and small, field-based experiments that interact with the broader community to develop a rudimentary "business prototype" that has passed through an initial "market screen." By involving the wider community in the actual development and evolution of the business offering, market demand is self-generated, and the business is "built for success" from the beginning. Engagement with the broader community should begin with the community team's immediate contacts and social networks, but gradually extend out to involve other community members who can provide more "objective" feedback and input. The strategic involvement of key community members can create powerful word-of-mouth "buzz" for the new business offering. It is valuable to frame the initial brand identity as broadly as possible (i.e., an "umbrella brand") to have the necessary flexibility for refining and evolving the brand position.

In choosing which business activities to begin with, it is useful to first map and prioritize the various components of the business concept according to their ease of implementation and anticipated level of importance to long-term business success. The Project Team needs to balance "quick wins" that can generate near-term income (and thereby sustain the Team's motivation) with activities that require more time investment but hold greater potential for sustained sales and pervasive brand presence. Additionally, it is important to begin with activities that allow a relatively wide "margin of error" in execution, as it will take time and hands-on learning for the Project Team to evolve a high and consistent performance level. Even though the Team begins with a subset of the activities, there should be a clear understanding among all Team members of how these relate to the larger business concept and strategic positioning.

Real World Example

In Nairobi, the "umbrella concept" centered on the idea of a Community Cleaning Service (CCS) involving some combination of home cleaning, sanitation, and pest control. After initial trials that included providing free applications in schools, mosques, and homes of friends and family, CCS's initial suite of services included garbage collection, indoor cleaning, insect control, window screening, and wall repair and patching. CCS is branded as a partnership among SC Johnson, a coalition of slum youth groups, and CFK (the local CBO partner). The business tagline, "we identify with you," is emblazoned on the back of the youth's uniforms. Due to variation within and across the slums, the initial price of the service was left up to the individual youth groups.

The Base of the Pyramid Protocol

IN-FIELD PROCESSES

PHASE III

IN-FIELD PROCESSES
PHASE III — Enterprise Creation

Once an initial business prototype is operational, the initiative enters Phase III, "Enterprise Creation." The objective of Phase III is to establish both a committed market base, and a new organization capable of sustaining and growing the enterprise while evolving and expanding the initial prototype into a complete business model. Preserving organizational and business model flexibility at the early stages of Enterprise Creation is paramount. To work under such conditions of ambiguity, however, demands that the community and corporate team members have established, during Phase II, a deep sense of trust and

commitment to each other, including the capability for managing conflict and negotiating differences. To operate with confidence, corporate and community team members also need to have established strong trust and support from their respective "internal key stakeholders" (e.g., corporate leadership, family networks).

During Phase III, the role of all external partners further recedes so that the Project Team emerges as entirely self-sufficient, possessing the skills necessary to manage the new business and to grow and replicate it in other communities and geographies. The time it takes for the new business to stabilize will vary depending on its complexity, though one year of operations should provide valuable insights into seasonal variations. Following Clay Christensen's counsel for incubating
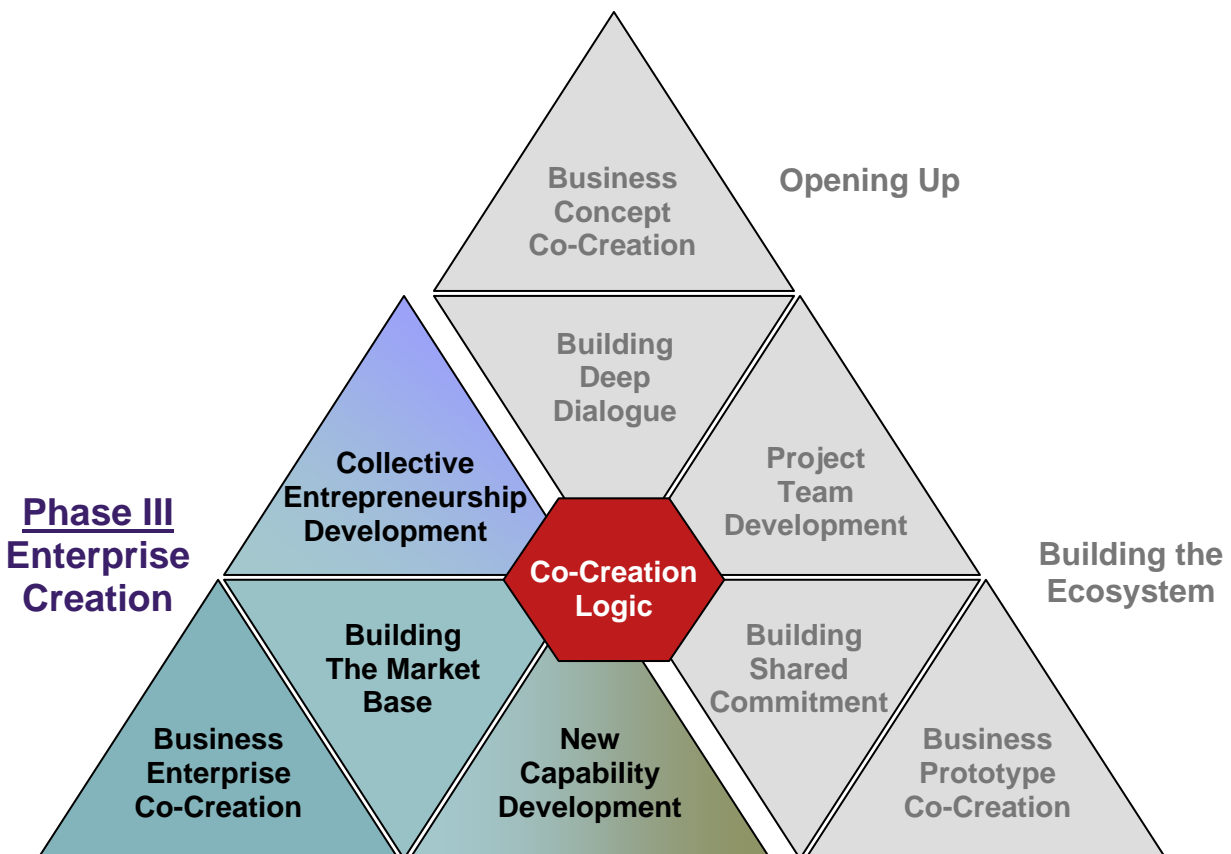
disruptive technologies and businesses, an important rule of thumb during this period of development is to be "impatient for profit but patient for growth."[14]

The Phase III process begins with further **new capability development**, then progresses to **building the market base** and **collective entrepreneurship development**. The outcome of Phase III is a **newly created business enterprise** ready for scaling out.

New Capability Development

To shift from start-up to a self-sustaining business requires that the community members of the Project Team develop the organizational systems and business management skills necessary for managing ongoing operations (e.g., accounting and book-keeping, planning, logistics) and for growing the enterprise locally (e.g., saving and re-investment, customer feedback). As during Phase II, these knowledge and capability gaps are co-identified and periodically re-assessed by the full Project Team and addressed through action learning scenarios tied to concrete needs of current business operations. Rather than holding a "training" session on cost-accounting, for example, the community and corporate members of the Project Team together track the actual revenue flows and calculate profit from the business' initial operations.

As much as possible, all project management processes and decisions, including the management and allocation of project funds, are jointly administered to

build the community team members' practical management capacity. "Guest talks" by successful entrepreneurs and field visits to successful start-up ventures provide effective ways to both manage the community team's expectations and to provide insights into the process of growing and running a new business. These activities can help demonstrate the importance of inculcating business practices and habits that have a less immediate and visible impact on profitability and operations, but that are vital to sustaining and growing the business (e.g., tracking customer satisfaction and community impact). Documenting and codifying key learnings and processes helps to institutionalize the learnings and provides a valuable mechanism for inducting future team members as the business grows.

For the corporation, Phase III is also the time to begin building the necessary organizational capabilities to manage future replication and scale-out of the new business in other communities and geographies. This organizational foundation includes both a human resource

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[14] Clayton M. Christensen (1997). The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail. Harvard Business School Press. Boston, MA.

dimension and a structural, business systems dimension. As many of the management skills and competencies necessary for co-venturing are tacit in nature (e.g., community facilitation, deep dialogue, co-creation), the most effective way to develop future project managers in other geographies is by gradually immersing them in the current business site. This immersion begins with the new managers "shadowing" the current corporate members of the Project Team to understand the ethos of the process. "Shadowing" then transitions into more active involvement and co-direction in order to actively "practice" skills such as facilitation.

The R&D White Space created to support the initial project needs to be formalized within the corporate structure. Corporate-level formalization of this "business model R&D" unit is important for ensuring a consistent

flow of patient capital, the application of appropriate performance evaluation milestones, and for effectively leveraging learnings and resources among the initial project site and new geographies. Absent a separate organizational structure for housing and supporting these co-venturing initiatives, the company's "corporate antibodies" are likely to impose traditional business development practices and performance targets, thereby forcing the new "BoP" business to migrate towards "middle of the pyramid" markets, and to revert back to a product/line extension business development approach (BoP 1.0).

Real World Example

In Hyderabad, the Project Team opened a Working Capital Account (seeded by Solae) that is jointly managed by Solae and the community team members. The Project Team collectively budgets for its activities and manages cash flows and receipts. In addition, a second Retained Earnings Account was created in which all income from the Project Team's action learning and initial business operations is held. Solae is initially "seeding" this account to provide "bridge funding" for the women, all of whom are now working full-time on building the business. The Project Team collectively decides how these funds are distributed among the team (and potentially into new investments). In addition to learning how to manage the new business' finances, the community team members have also expressed an increased sense of pride and self-esteem.

Building the Market Base

In order to deepen trust and shared commitment with the wider community while ensuring that the new business' products and services are in genuine demand, the Project Team engages the broader community in the evolution of the business prototype and development of the full business model. This process is not about "educating" and "convincing" potential customers of the products' or services' benefits — an approach that is effective in stimulating demand when introducing product extensions into a defined and established market segment. Rather, "Building the Market Base" creates a community-wide sense of membership in and shared vision of the business by extending the action learning process to include a diverse and influential segment of community members and opinion leaders.

By deeply vesting the community in the business success, "pull-through" demand is generated, and competitive advantage is ensured through an indelible brand connection.

Deep, personalized connections with the wider community are forged through homestays conducted by the Project Team in and around the community the business intends to serve. It is worth recalling that many slums and rural "counties" can have well in excess of 25,000 residents. Homestays allow the Project Team to share informally the business' intent with key people and groups, while continuously learning from the lives of the people in the community in which the business operates. The high level of visibility afforded by homestays also has valuable "spillover" effects that help breed broad enthusiasm for the business.

A "community advisory board" provides a formal mechanism for engaging the wider community. The advisory board is comprised of various opinion leaders (both formal and informal) in the community and those groups and individuals who have the greatest influence over the purchasing decisions of the community segment/s that the business intends to serve. To avoid the possibility of board members becoming gatekeepers, and to multiply the number of "touch-points" in the community, "terms" are fixed and membership periodically rotated to bring in new perspectives. All board members receive an abbreviated induction into the business to enhance their ability to effectively advise the Project Team and to ensure that they communicate a consistent message about the business to the community.

Additional actions that build broad support for the new business by involving the community in a co-design process include holding "community contests" to determine aspects of the business offering (e.g., product configuration) or brand (e.g., the logo or tagline) and providing the business' products or services *pro-bono* to a public organization (e.g., local school) or at a public event as part of an action learning experience in exchange for candid feedback.

> **Real World Example**
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> *In Parvathagiri Mandal, which consists of some 40,000 residents within a 5-mile radius, the Solae Project Team dispatched 6 pairs of team members to six different areas of the county. Each pair of women stayed for two nights with friends or relatives of other Project Team members, learning about each others' families and the similarities and differences between their own home areas, in addition to sharing about their business. Word quickly spread through networks of family and friends about the women and the business. During the day, as the women walked through the neighborhoods, they found themselves the center of attention, fielding inquiries about food and nutrition and about when the business would start selling its products and services. Being asked by men and women for their opinions and knowledge proved to be a transformative experience that boosted the women's self-esteem and confidence.*

Lastly, the supply chain for the emerging business should be localized whenever possible. This involves sourcing available raw materials and services from community-based vendors, as well as working closely with them to continuously improve the quality of their products and services. It also entails enabling the creation of new community enterprises that can provide needed inputs that are currently unavailable. By localizing the supply chain, the business builds a valuable interdependence between its growth and development and that of the wider community.

Collective Entrepreneurship Development

To ensure the development of a robust business model, it is vital that the collective insights and capabilities of the full Project Team are utilized. Creatively responding to challenges and opportunities with the Team's full range of resources requires that the full Team possess a deep, shared understanding of the evolving issues "in the field." Getting the corporate team members out into the field and "doing the business together" on a regular basis with the community team members builds this shared understanding and fosters creative solutions spurred by joint analysis. Conducting joint "sales calls" provides further insights into key issues surfaced through initial business operations. Importantly, working side-by-side in the field reinforces a shared organizational identity and further personalizes the relationship among the Project Team members and the wider community.

While the Project Team begins small-scale commercial operations using the resources, technologies, and products immediately available, during Phase III attention turns to exploring and developing new products and

"clean" technologies optimized for the emerging business model and customized to the community's unique context (social and ecological) and needs. The emerging business, with its set of deep relationships in the community, can be viewed as a real-time "R&D site" in which new products and clean, "disruptive" technologies can be tested, incubated, and improved.

Real World Example

The Nairobi business was launched using SC Johnson's current suite and configuration of products (e.g., cleaning agents and insecticides packaged in spray cans). These products were originally designed for purchase by end-consumers for in-home use. After a short time in field, it became clear that, in order for SC Johnson's products to be effective within the service-based business model of CCS, the products would need to be bulk-packed using a commercial application technology. Given the high cost and long time period for registering new product configurations in Kenya, CCS is simulating costing and pricing on the basis of bulk provisioning while the company explores this new option. In addition, presence in slum communities has opened a window on new product development using clean technology.

Building direct links between the corporation's R&D and technology departments and the Project Team is a vital first step in translating the Team's deep, local understanding into new products and technologies. To ensure that technology and product development remain aligned with the realities and demands of the business and community, it is important to treat corporate R&D members as part of the Project Team by inducting them through homestays and participation in in-field business operations.

Business Enterprise Co-Creation

Working from the revenue prioritization map developed in Phase II, the Project Team gradually expands the scope and complexity of business operations. Each new addition to and expansion of the business is tested out and shaped through numerous small-scale "business experiments" intended to surface nuances in customer needs and wants, as well as unanticipated consequences. The rule here is to "fail small and learn big" so that problems can be avoided later during business expansion and scale-out. Given the uncertainty as to the ultimate shape of the business model and which dimensions of the business will drive revenue growth, maintaining organizational flexibility is paramount. This flexibility is preserved by minimizing investments in fixed assets when phasing-in business activities, and by postponing binding decisions as to organizational structure (e.g., ownership and governance) and profit and revenue sharing. Instead, all revenue is best held in a common fund jointly managed by the Project Team until there is sufficient clarity and certainty as to the revenue model.

During Phase III, it is important that the performance of the new business and Project Team be evaluated against milestones that emphasize learning and "failing forward," thereby allowing the Team to experiment widely in evolving a profitable offering. Setting and reaching revenue targets that ensure a baseline level of income for community team members is needed for the business' ongoing operation. However, milestones based on arbitrary revenue and product sales targets per "traditional" corporate growth expectations inadvertently "fix" the business model pre-

maturely and lead the Project Team into a "push" mode of action. It is important that the corporation remain flexible and open as to its own revenue capture model vis a vis the emerging business and to not recede into a peripheral, "supplier" role based solely on the sale of its current product and technology set. Indeed, shifting into a "supplier mode" in which the corporation is not central to the business' value proposition gradually erodes the deep interdependence between the community and the corporation. This type of erosion then creates a potentially weak competitive position when the new business is scaled-out to other geographies.

Real World Example

In Nairobi, CCS's service offering has evolved differently in the three slums. In Mathare, CCS is providing contract cleaning services to the multi-story, concrete apartment buildings constructed as part of the government's slum redevelopment efforts. CCS cleans the common areas (e.g., bathrooms and toilets) found on each floor. In Kibera, the CCS service focuses on pest control (IPM approach), a significant problem in the mud-based dwellings. In addition, carpet and furniture cleaning has emerged as a valued service. This need, which has proven unique to Kibera, is driven in large part by the slum's age. Kibera was first settled in the 1950s, and because families have lived there for multiple generations, over time they have accumulated assets. Mitumba, a recently settled slum area where homes are constructed of wood and tin and residents are generally poorer and more transient, CCS is experimenting with a basic pest control service.

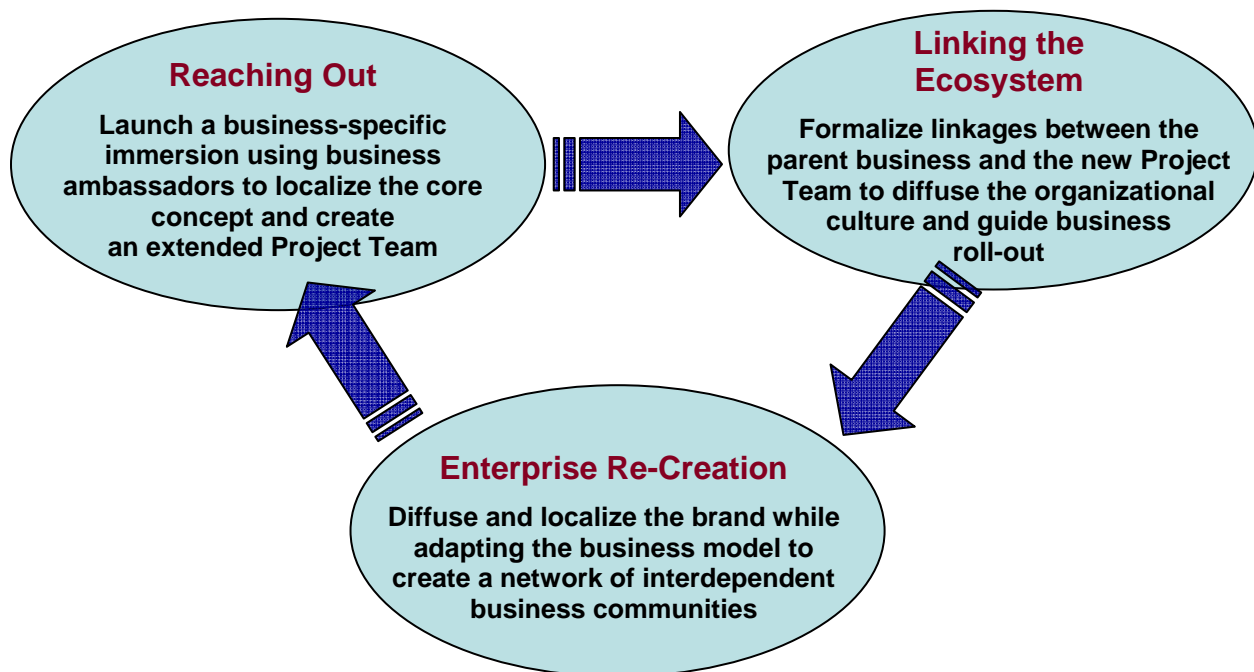# The Base of the Pyramid Protocol

SCALING OUT

SCALING THE BOP PROTOCOL

As we have seen, the BoP Protocol culminates in a new, "locally-embedded" business founded on trust and shared commitment between the corporation and the community. In order for the corporation to generate a level of value that justifies the time and commitment of an initial BoP Protocol initiative, the business model needs to be efficiently transferred to and re-embedded in hundreds, if not thousands, of other communities in new geographies. To reinforce, rather than erode, the personal brand connections and shared commitment established by the initial business, the growth process must follow a path different from typical scaling strategies.

While a full BoP Protocol scaling methodology has yet to be developed,[15] our preliminary experience suggests that an effective replication process should follow an "open pollination model" that draws on both "creation" and "discovery" based business processes. In open pollination, plants propagate through the natural mixing of pollens from the wider population. This open form of crossing builds the plant's genetic variability, thereby creating a robust platform that is highly adaptable across a wide range of local conditions. Scaling or "propagating" the BoP business would follow a three-phase process analogous to that of the BoP Protocol.

The first phase of the scaling process involves **Reaching Out** to new communities through business ambassadors and planting a "seed" business concept using a "concept-specific" immersion. Through this process,

Reaching Out

Launch a business-specific immersion using business ambassadors to localize the core concept and create an extended Project Team

Linking the Ecosystem

Formalize linkages between the parent business and the new Project Team to diffuse the organizational culture and guide business roll-out

Enterprise Re-Creation

Diffuse and localize the brand while adapting the business model to create a network of interdependent business communities

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[15] We are currently conducting the background work and pursuing funding to develop a "BoP Scale-Out Protocol."

representatives from the original parent or "pollinating" business effectively spread the core value proposition to a new community while simultaneously encouraging local adaptation and modification as appropriate. Rapid market appraisals can be effectively utilized ahead of the immersion to identify the geographies and communities where the business is most likely to succeed.

In the second phase, **Linking the Ecosystems**, a formal organizational linkage is established between the new community and the parent business to accelerate the development of the initial business pilot model and the professionalization of a new Project Team. "Community exchanges" between the parent business and new Project Team allow key business and organizational skills to be rapidly and effectively disseminated through a train-the-trainer learning system. "Deep listening" approaches that adapt quick ethnography and PRA techniques to surface unique local needs and contingencies are used to customize the pilot's initial product/service offering and to determine initial price points.

Finally, the **Enterprise Re-Creation** phase uses small-scale business pilots to re-embed the original business model within the unique context of the new community. Pilots are co-designed and co-managed by the new Project Team together with business liaisons from the parent business to ensure that prior learnings are reflected in the process and to transfer tacit business skills (e.g., sales and customer management). The new Project Team and business liaisons also employ homestays and joint sales calls, thereby leveraging the parent business' brand credibility to accelerate the development of the local market and to ensure a consistent brand image across sites.

This scaling process would be repeated for each round of "pollination" the business undergoes in every new community. Through this process, each new business venture, while customized to its local environment, maintains continuity with the greater network and adds its own unique learnings and insights to the network's knowledge base. Importantly, as the size of the network grows, the faster the propagation process proceeds, as each newly-established business site can then serve as a parent business to guide a new community through the business propagation process (akin to a chain reaction). Our experience suggests that it will take three to five years before the BoP Protocol-generated business achieves "takeoff," at which point the network of businesses grows exponentially. The scaling process is, therefore, best understood as one of "scaling out" rather than "scaling up."

The Base of the Pyramid Protocol

APPENDICES

Appendix 1

Designing the BoP Protocol

The BoP Protocol Project was launched in 2003 as a partnership among Cornell University, University of Michigan, William Davidson Institute, World Resources Institute and Johnson Foundation with corporate partners DuPont, SC Johnson, Hewlett-Packard, and Tetra Pak. The Protocol Project emerged from the BoP Learning Lab™, a consortium of companies, NGOs and academics sharing knowledge and experiences about the opportunities and challenges that confront companies (in particular, multinational corporations) attempting to serve the BoP market.

Beginning in 2002, several of the corporate members of the BoP Learning Lab™ began to articulate concerns that their firms' current set of capabilities and methodologies for new business and product development were inadequate for the task of truly understanding and serving the needs of BoP communities. This sense of growing unease with the current corporate approach provided the impetus for starting the BoP Protocol Project.

The Core Project Team (see below) began by exploring relevant work in related fields (including Anthropology, Social Work, Human Geography, Development Studies, and Design) and methodologies (including participatory rural appraisal, quick ethnography, rapid assessment process, asset-based community development, and empathy-based design). Following this research, a 4-1/2 day Protocol Design Workshop was held in October 2004 at the Wingspread Conference Center in Racine, Wisconsin.

The workshop convened a diverse group of academics, international development professionals, social entrepreneurs, market researchers, and corporate executives to craft this radically new business process (see participant list, page 46). Results of the design workshop were summarized in a report and placed in the public domain in March 2005.

A second workshop was held at the Wingspread Conference Center in October 2005 to debrief the initial results of the pilot test in Kenya with SC Johnson and to revise the process based on those learnings. Participants of the second workshop are listed on page 47.

BoP Protocol Core Project Team

Stuart Hart, Cornell University

Erik Simanis, Cornell University

Gordon Enk, Partners for Strategic Change

Duncan Duke, Cornell University

Michael Gordon, University of Michigan

Base of the Pyramid Protocol Design Workshop
Wingspread Conference Center, October 2004

Workshop Participants

Anjali Alva, Wingspread Fellow

Monika Aring, RTI International

Mohammed Bah Abba, MOBAH Rural Horizons, Nigeria

James Beebe, Gonzaga University, Leadership Studies

Roland Bunch, World Neighbors

Nila Chatterjee, University of North Carolina at Chapel Hill, Anthropology

David Ellerman, The World Bank

Anne Marie Evans, Global Mosaic

William Flis, African Economic Development Initiative

Dee Gamble, University of North Carolina at Chapel Hill, School of Social Work

Kathy Gibson, Australian National University, Human Geography

Gita Gopal, Hewlett-Packard

Julie Graham, University of Massachusetts at Amherst, Geography

Stephen Gudeman, University of Minnesota, Anthropology

Nicolás Gutiérrez, EGADE, Tec de Monterrey, Mexico

Saradha Iyer, Third World Network

Scott Johnson, SC Johnson

Anjali Kelkar, Illinois Institute of Design

Lloyd LePage, DuPont, Pioneer Hi-Bred

Ted London, University of North Carolina at Chapel Hill, Kenan-Flagler Business School

John Lott, DuPont

Dipika Matthias, PATH

Linda Mayoux, Women in Sustainable Development

Denise Miley, Tetra Pak

Mark Milstein, World Resources Institute

Kenneth Robinson, Cornell, Applied Economics

Prashant Sarin, Hewlett-Packard Labs-India

Peter Schaefer, Institute for Liberty and Democracy

M. Shahjahan, Grameen Bank

Ajay Sharma, William Davidson Institute

Sanjay Sharma, Wilfred Laurier University, Strategy

Kwaku Temeng, DuPont

Richard Wells, The Lexington Group

Bill Wiggenhorn, Consultant to RTI International

Faye Yoshihara, Consultant to SC Johnson

Base of the Pyramid Protocol Workshop II
Wingspread Conference Center, October 2005

Workshop Participants

Anjali Alva, Wingspread Fellow

James Beebe, Gonzaga University, Leadership Studies

Catherine Burnett, Independent Consultant

Justin DeKoszmovszky, Cornell University, Johnson School of Management

Patric Donohue, BRINQ

Dee Gamble, University of North Carolina at Chapel Hill, School of Social Work

Bradley Goodwin, SC Johnson

Julie Graham, University of Massachusetts at Amherst, Geography

Nicolás Gutiérrez, EGADE - Tec de Monterrey

Camilla Hägglund, Tetra Pak Research and Development AB

Molly Hemstreet, Center for Participatory Change

David Hewitt, The Solae Company

Sammy Iregi, Mathare Community Resource Center, Nairobi, Kenya

Farouk Jiwa, CARE Enterprise Partners (CARE Canada)

Scott Johnson, SC Johnson

Anjali Kelkar, Illinois Institute of Design

Robert Kennedy, William Davidson Institute

Nyokabi Kiarie, University of Michigan, Michigan Business School

Arun Kumar, Development Alternatives

Daniel L. Lawson, SC Johnson

Delphine Lemee, Danone Vitapole

Lloyd Le Page, DuPont, Pioneer Hi-Bred

Ted London, William Davison Institute

John Lott, DuPont

Marion McNamara, Oregon State University

Denise Miley, Tetra Pak

Mark Milstein, World Resources Institute

Salim Mohammed, Carolina for Kibera, Nairobi, Kenya

Banoo J. Parpia, Cornell University, Nutritional Science

Luiz Carlos Ros, World Resources Institute

Stephanie Schmidt, Ashoka

Sanjay Sharma, Wilfred Laurier University, Strategy

K.K. Sridhar, SC Johnson

Tatiana Thieme, Cornell University Law School

Macharia Waruingi, Kenya Development Network

Richard Wells, The Lexington Group

Sheri Willoughby, Consultant to Johnson & Johnson Consumer Products Company

Appendix 2

BoP Protocol Business Principles

Operating Guidelines

- Suspend Disbelief – *be willing to admit ignorance*
- Put the Last First – *seek out the voices seldom heard*
- Show Respect and Humility – *all parties have something important to contribute*
- Accept and Respect Divergent Views – *there is no one best way*
- Recognize the Positive – *people that live on $1 per day must be doing something right*
- Co-Develop Solutions – *creating a new business takes mutual learning by all partners*
- Create Mutual Value – *all parties must benefit in terms important to them*
- Start Small – *begin with small pilot tests and scale out in modular fashion*
- Be Patient – *it takes time to grow the ecosystem and win trust before the business takes off*
- Embrace Ambiguity – *the greatest opportunities often arise from unplanned events and circumstances*

Code of Conduct

- Design businesses that increase earning power, remove constraints, and build potential in the BoP
- Ensure that wealth generated by the business is shared equitably with the local community
- Use only the most appropriate – and sustainable – technologies
- Promote the development of affected communities as broadly as possibly in ways defined by the local people themselves
- Track the "triple bottom line" impacts associated with the entire BoP business system
- Monitor and address any unintended negative impacts associated with the business model
- Share best practices with local partners to the extent possible
- Report transparently and involve key stakeholders in an on-going dialogue
- Commit to increase community value regardless of the business outcome

Appendix 3 (a)

India Community Partners

Rasul Pura, Hyderabad

Satamgari Andalu

Jamal Bee

Kavali Bheemamma

Bollolla Dhanlaxmi

Bee Fatima

Koolla Kamarathi

Ayarla Kanyakumari

Burla Komoramma

Arpula Lalitha

Kuragayala Laxmi

Pampati Nirmala

Burla Padma

Dayyala Pramila

Doodati Rekha

Dasa Saraswati

Girikattula Satyamma

Hingolikar Sharda

Patvari Sheelabai

Shaik Suraya Begum

Pandith Swaroopa

Sanugoju Swaroopa

Lingala Vijaya

Kandagatla Yellamma

Parvathagiri Mandal, Warangal District

Chintakuntla Anuradha

Singarapu Chandramma

Chintapatla Kavitha

Ponugoti Kavitha

Bashaboina Kausalya

Jilla Lakshmi

Kolguri Lakshmi

Rupani Pramila

Maroju Pushpalatha

Md Rahamathbee

Arsham Rajitha

Bogoju Rajitha

Guntuka Rajitha

Daram Ramadevi

Medisetty Ramakka

Godugu Rani

Maduguloju Rani

Rangu Sammakka

Annamaneni Sarojana

Rangu Somakka

Palle Uma

Santosh Nagar, Mumbai

Kshama Majdekar Negi

Chaya Solanki

Bilkis Sayeed

Archana Bhoge

Mansi Uplane

Lakshmi Panigrahi

Jeeja Viswakarma

Pratibha Masurekar Otavkar

Priyanka Kadam Solanki

Jayantri Pandey

Keola Verma

Deveshree Negi

Hema Kavitake

Kavita Wadkar

Jyoti Yadav

Vibha Tiwari

Sarika Otavkar

Sonali Mastekar

Manorama Nayak

Sangita Patil

Subhangi Pitre

Jayashree Panda

Sangita Baisane

Varsha Mengawade

Appendix 3 (b)

Kenya Community Partners

Nairobi

Farida Abdallah	Hussein Musa
Abdulaziz Abdularahman	Rehema Musa
Wilson Amin	Joseph Mwaura
Abdul Faraji Juma	Irungu Ndegwa
Samuel Githinji	Nelson Ndegwa
Abdullahi Ibrahim	Frederick Njogu
Samuel Karanja	Patric Njogu
Joseph Kibotho	Musa Rashid
Francis Kimani	Abdulkarim Suleiman
Justine Mokua	James Thuranira
Isaac Muata	Jeremiah Wanjohi

Nyota Township, Nakuru District

Hannah W. Gachie

Jane Muthoni Kiarie

Ken Njuguna Kariuki

James Kimani

Martha Mburu

Patrick Mburu

Kimani Elijah Wang'ombe

Isaya Kimani Wan'gendo