

## NPLD 752: Social Impact and Enterprise in Kenya

### Summary

Over the past decade, a new type of social enterprise has emerged, which aims to deliver goods and services to the huge, relatively untapped market of low-income households in developing countries. These social enterprises, known as 'Base of the Pyramid' (BoP) ventures, seek to simultaneously achieve profits, scale, and social impact. This new operating model has reframed the way companies, foundations, and NGOs engage billions of poor people.

This emergent field has attracted a generation of professionals looking to balance profitability and social impact, from social entrepreneurs to impact investors. Yet is the hype justified — is there *really* a 'Fortune at the Base of the Pyramid'?

In practice, the challenge of delivering on this promise has been staggering. From retailing nutrient fortified yogurt to clean cookstoves, many of these ventures have started with considerable fanfare, only to later be wound down quietly (e.g., Grameen-Danone, BP Oorja, One Laptop Per Child). Others have massively scaled, but in key respects, have compromised their social impact in the process (e.g., SKS Microfinance, M-PESA, LifeStraw). Others yet have been mislabeled as BoP ventures in the first place (e.g., TOMS Shoes). In each case, there is an opportunity to learn from such failures. By examining their business models and operating contexts, we are going to do an autopsy.

By contrast, some ventures, such as One Acre Fund and Amul Dairy, have delivered on their promises, meaningfully improving the economic wellbeing of hundreds of thousands of low-income farmers. Others, such as Laboratoria, Andela, Open Capital, and Samasource, are providing exceptional training and professional opportunities for many thousands of youth across the developing world. What transferrable lessons can we learn from these success stories? Where have they not hit the mark?

This is a course for those who are interested in becoming social entrepreneurs, particularly in developing countries. It will reveal the nuances of operationalizing these ventures and provide a business toolkit for designing and launching a social venture. The course will equally be topical for those who are simply interested in better understanding the innerworkings and implications of this fast-growing and alluring model of alleviating poverty and disease.

## Course Description

In the on-campus module, the course will unpack the nuances of market-based poverty alleviation, and deep dive into several case studies that both illustrate how hard, and at times problematic, it is to balance profit and impact. It will also highlight several emerging models that have begun to deliver upon the BoP narrative's promise. It will frame the opportunity and challenges commercializing a BoP venture, grapple with the normative consequences of such ventures on society, explain why many ventures to date have been unsuccessful, and also identify emerging pathways to scale and impact.

To better unpack these case studies, students will learn and apply a set of practical business frameworks, which will run the gamut from unit economic analyses to customer segmentation. This same toolkit will then be utilized by the students to develop a go-to-market strategy for a BoP focused product or service.

Between offering the students background context through BoP case studies, and learning a set of practical, widely applicable business tools, the students will be better equipped to design and launch their own BoP venture.

The course will deep-dive into key aspects of a BoP go-to-market strategy (product design, customer segmentation, distribution model, marketing / brand building), the associated business frameworks used to validate the viability of the model (e.g., unit economics, micro-piloting), and prepare it for raising capital and scaling. While many of these frameworks were developed from more traditional business models, they inevitably will need to be reconceptualized to be useful within culturally complex and gritty BoP operating environments. We will see this firsthand when we travel from Penn to Kenya, to immerse ourselves in the operations of several BoP ventures.

In this second section of the course, the students will visit the operations of BioLite, a for-profit social enterprise run by the instructor. The students will apply a critical lens to BioLite, gleaned from the frameworks, case studies, and normative insights of the first week, to both distill the challenges with this thesis, and to advise as the BioLite team seeks to simultaneously achieve scale, social impact, and profitability. While in Kenya, the team will also meet with the leadership team and/or operations of several other well-regarded BoP ventures (e.g., One Acre Fund, M-KOPA, Sanergy). They will be able to connect the content learned at Penn to these real-world examples.

- Apply a business toolkit to (1) understand why certain BoP ventures have been successful

### Learning Objectives

- (2) design a BoP venture
- Grapple with the complex social structures and operating context of a BoP market
- Develop a nuanced understanding of the viability of organizations aiming to address the needs and interests of people living in poverty with market-based models, and the normative implications of BoP ventures on society.

During the course, we will run through several of the key components required to run a BoP venture, including:

- Unit economics
- Target customer segmentation
- Marketing / brand building
- Competition / product differentiation
- Distribution / operations / logistics strategy
- Pre- and post-purchase customer engagement
- Capital raising
- Building an operating team

## **On-Campus (Feb 2 – 3 2019): Can Business Solve Social Problems?**

### **Section 1 (Feb 2): Market-Based Models of Poverty Alleviation**

- What is the BoP narrative? What are BoP ventures? This class will introduce the BoP narrative, and distill its strengths and weaknesses. It will explore how it has quickly become orthodoxy among development practitioners, social entrepreneurs, and even governments. It will grapple with the consequences, viability, and ethics of business replacing governments, multi-laterals, and charities as a provider of basic services to poor people. It will look at tensions between profitability and impact, and explore emerging models to deliver these services, such as partnerships between corporations and NGOs.

#### ***Recommended Readings:***

- Prahalad, C.K. *The Fortune at the Bottom of the Pyramid Eradicating Poverty through Profits*. Pearson Education, 2014.
- Hart, Stuart L. *Capitalism at the Crossroads: Aligning Business, Earth, and Humanity*. Wharton School, 2009.
- Karnani, Aneel. "The Mirage of Marketing to the Bottom of the Pyramid: How the Private Sector Can Help Alleviate Poverty." *California Management Review*, vol. 49, no. 4, 2007, pp. 90–111.
- London, Ted. *The Base of the Pyramid Promise Building Businesses with Impact and Scale*. Stanford Business Books, an Imprint of Stanford University Press, 2016.
- Simanis, Erik. "Reality Check at the Bottom of the Pyramid." *Harvard Business Review*, <https://hbr.org/2012/06/reality-check-at-the-bottom-of-the-pyramid>.
- Garrette, Bernard, and Aneel Karnani. "Challenges in marketing socially useful goods to the poor." *California Management Review* 52.4 (2010): 29-47.

### **Section 2 (Feb 2): Learning from Failure -- Case Studies on BP Oorja, Grameen Danone, and Godrej Chotukool**

The class is broken up into four groups of three to four students. Each group will research one of the case studies and present to the class the lessons from it. The class will then discuss the merits of each organization and the challenges it presents.

Here are a few recommended readings that can be used as complimentary frameworks to evaluate the BoP cases.

### **Recommended Readings: BoP Business Toolkit**

- Gallo, Amy. "A Quick Guide to Breakeven Analysis." *Harvard Business Review*, 2 Nov. 2014, hbr.org/2014/07/a-quick-guide-to-breakeven-analysis.
- London, Ted, and Stuart L. Hart. *Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value*. FT Press, 2010.
- London, Ted. "Making Better Investments at the Base of the Pyramid." *Harvard Business Review*, 1 Aug. 2014, hbr.org/2009/05/making-better-investments-at-the-base-of-the-pyramid.
- Rangan, V. Kasturi, et. al. "The Globe: Segmenting the Base of the Pyramid" *Harvard Business Review*, <https://hbr.org/2011/06/the-globe-segmenting-the-base-of-the-pyramid>.
- Simanis, Erik, and Stuart Hart. "The base of the pyramid protocol: Toward next generation BoP strategy." *Cornell University 2* (2008): 1-57.

### **Case 1: Playing with Fire: BP's Clean Cooking Foray into Rural India (India)**

- A multinational corporation's effort to address the problem of household air pollution, gain a toehold into the India BoP fuel market, and empower 1,000 women as sales agents.

### **Required Readings:**

- Brugmann, Jeb, and C.K. Prahalad. "Cocreating Business's New Social Compact." *Harvard Business Review*, Feb. 2007, hbr.org/2007/02/cocreating-businesss-new-social-compact.
- Kay, Ethan. *Playing with fire: an MNC's inability to translate its market logic in a culturally complex exchange setting in rural India*. University of Oxford, 2012. (NB: Focus on Chapters 5 – 7).

### **Main Lessons**

- **Case 1A: BP Oorja Partnership Dynamics:** At the organizational level, how the MNC and NGO's non-aligned logics, asymmetric power dynamics, and lack of mutual trust contribute to the venture's failure.
- **Case 1B: BP Oorja Village Exchange Setting:** At the village level, how the sales and marketing strategy glossed over the multi-layered social relationships and culinary, behavioral, and religious practices that needed to be translated for the technology to meet the needs of consumers.

### **Case Study 2: Grameen Danone: Saving the World with a Cup of Yogurt?**

- A corporation's well-intentioned effort to combat malnutrition by retailing nutrient-fortified yogurt to Bangladeshi villagers, through a network of rural women, in partnership with Grameen Bank, one of the world's largest microfinance institutions.

### **Required Reading:**

- Rangan, V. Kasturi, and Katharine Lee. "Grameen Danone Foods Ltd.: A Social Business." *Harvard Business School Case 511-025*, September 2010. (Revised January 2016.)

### Case Study 3: Godrej Chotukool: A Cooling Solution for Mass Markets?

- An Indian corporation's disruptive innovation – a low-cost refrigerator, developed to enable rural households to store food and milk and cool water.

#### **Required Reading:**

- Dhanraj, C., B. Suram, and P. Vemuri. "Godrej Chotukool: A Cooling Solution for Mass Markets." *Ivey School of Business, Univ. Western Ontario # W11498* (2011).

### Section 3 (Feb 3): BioLite's Go-To-Market Strategy

This module will aim to present key components of a full go-to-market strategy for a BoP focused venture, using BioLite as a case study. It will provide an overview of BioLite's business designing, manufacturing, and distributing clean cookstoves and solar home lighting systems to off-grid households, and highlight key learnings and challenges over the eight years of BioLite's operations.

Using a wider lens, the BioLite case study highlights the dramatic difference in progress over the past decade to address two closely related developing world energy challenges: clean cooking and off-grid electrification. The sector of clean cooking presents a massive health, climate, and gender impact opportunity, but has tragically little to show in terms of results. On the other hand, the off-grid electrification sector has bought electricity to many millions of households and has raised in excess of \$500M in commercial capital the past few years. Yet cracks in the sector are starting to emerge: few such ventures are financially sustainable, and there are questions about their social impact.

#### **Recommended Readings:**

- Kay, Ethan. "Saving Lives through Clean Cookstoves | Ethan Kay | TEDxMontreal." *YouTube*, 14 July 2012, [www.youtube.com/watch?v=J3Zsj4Lfs\\_o](http://www.youtube.com/watch?v=J3Zsj4Lfs_o).
- Inamdar, Amar. "The Thrilling Potential for Off-Grid Solar Energy" *TEDGlobal2017*, 26 January 2018, [https://www.ted.com/talks/amar\\_inamdar\\_the\\_thrilling\\_potential\\_for\\_off\\_grid\\_solar\\_energy](https://www.ted.com/talks/amar_inamdar_the_thrilling_potential_for_off_grid_solar_energy).
- BioLite. "The Road To Impact – Medium." *Medium*, 2016. [www.medium.com/the-road-to-impact](http://www.medium.com/the-road-to-impact)
- Bilger, Burkhard. "Hearth Surgery." *The New Yorker*, The New Yorker, 21 December 2009, [www.newyorker.com/magazine/2009/12/21/hearth-surgery](http://www.newyorker.com/magazine/2009/12/21/hearth-surgery).
- Morrison, Sara. "Undercooked: An Expensive Push to Save Lives and Protect the Planet Falls Short." *ProPublica*, <https://www.propublica.org/article/cookstoves-push-to-protect-the-planet-falls-short>.

### Section 4 (Feb 3): Venture Pitch

#### **Recommended Readings**

- Baehr, Evan, and Evan Loomis. *Get Backed: Craft Your Story, Build the Perfect Pitch Deck, and Launch the Venture of Your Dreams*. Harvard Business Review Press, 2015. (Focus on Chapter 2: "The Building Blocks of the Pitch Deck")

After the week at Penn, and before the students come to Kenya, the students' homework will be to design and prepare to pitch their own go-to-market strategy for a BoP venture.

## **Kenya (March 2 – 10): Visiting the operations of BioLite, One Acre Fund, and other BoP ventures**

### ***Recommended Reading:***

- Thurow, Roger. *The Last Hunger Season: a Year in an African Farm Community on the Brink of Change*. Public Affairs, 2013.
- Youn, Andrew. “3 Reasons Why We Can Win the Fight against Poverty.” *TED: Ideas Worth Spreading*, [www.ted.com/talks/andrew\\_youn\\_3\\_reasons\\_why\\_we\\_can\\_win\\_the\\_fight\\_against\\_poverty](http://www.ted.com/talks/andrew_youn_3_reasons_why_we_can_win_the_fight_against_poverty).
- Dolan, Catherine, and Mary Johnstone-Louis. "Bargaining with God: Religion, Advertising, and Commercial Success in Kenya." *Advertising & Society Review* 10.4 (2009).
- *NB*: Additional readings will be added as operational visits are confirmed.

**March 3:** Game Drive at Nairobi National Park

**March 4 - 5:** Interactive discussions in Nairobi with leadership of several BoP ventures

- Specific organizations to be confirmed, but may consist of some of the following: M-KOPA, Living Goods, Sanergy, Shortlist, Open Capital, SHOFKO, EdTech (e.g., Moringa, Eneza Education, Andela), Maria Omare, One Acre Fund, Juhudi Kilimo, Acumen

[Fly to Kakamega/Bungoma]

**March 6 - 7:** Field visit to BioLite’s and One Acre Fund’s operations in Bungoma / Kakamega;

[Fly to Nairobi]

**March 8:** Team BoP venture presentations [Presentation before investor panel consisting of Acumen, Kawasafi Ventures, Sunu Capital, and Honeyguide Media]

**March 9:** Wrap up + closing session + closing dinner [BioLite office]

- Debate on the Merits and Shortcomings of BoP ventures

**March 10:** Departing flights

### **Grading**

Attendance and Class Participation	20%
Case Study (Group Presentation)	15%
Designing a Social Enterprise (Group Presentation)	35%

Reflection Paper (Individual)	15%
Final Paper (Individual)	<u>15%</u>
Total	100%

## Assignments

1. **Group Presentation on Case study**
2. **Group Project:** Designing and presenting a go-to-market strategy for a BoP venture
3. **Individual reflection paper:** In-market learnings in Kenya
4. **Individual final paper:** Analysis of BioLite's business model

The course will begin with two full day session on campus followed by a week of work and engagement in Kenya. There will be a group assignments / presentation during both the on-campus session and in Kenya. Reflection papers and final paper will be completed and submitted individually.

## Assignments

### 1. In-Class Case Presentation

#### Team of 3 – 4

**Take the position of a senior executive from this company. Potential prompting questions:**

- Assess the business case for the product? What are the critical success factors for the product to succeed?
- Should this be marketed as a commercial product?
- What criteria should the corporation use to evaluate its strategy? Should the corporation invest in this business?
- What are the competitors to the product that the company should consider? If so, how?
- What are the cultural obstacles to uptake of the product?
- What is your take on the simultaneous pursuit of two parallel business models -- e.g., BP - making cookstoves and fuel pellets; Godrej - in the cooling industry, Grameen-Danone - engaging rural and urban customers?
- How should the company pursue its strategy for this product? What are the implications for its brand and its overall corporate strategy?
- What challenges do you foresee for the company as it takes the product to various geographical markets across the country?
- What are the main marketing challenges the company faces in trying to drive adoption of this product to low-income households? How well have they done in overcoming these challenges?
- Should the corporation continue with their BoP venture?
- Is the corporation pursuing the right channel strategy?
- What are the risks to the MNC and local NGO with this hybrid partnership model?
- What potential issues do you anticipate and how should the corporation tackle these issues in order to realize the full potential of the product?
- What advice would you give to the CEO of your company regarding this venture?

## 2. Group Project: Designing and Pitching a Social Enterprise

### Team of 2

#### **Deliverables:** Investor pitch deck

- The enterprise should aim to tackle a social or environmental issue facing people in the developing world. Some prime targets for the social enterprise include health, education, health, education, environment, financial inclusion, gender.
- The enterprise does not need to be Kenya focused, though doing so may offer opportunities and context to help refine the operating model during the week in country.
- The venture can be structured as a for-profit or non-profit, but must have a path to financial sustainability.
- The pitch deck should be no longer than 15 slides.
- The team will have 10 minutes to make their pitch, followed by 10 mins of Q&A by the judges.
- The instructor will have a call with each group between now and Kenya to review progress and answer any questions.
- Pitch deck advice from leading startup incubators:
  - <https://blog.ycombinator.com/how-to-design-a-better-pitch-deck/>
  - <https://www.techstars.com/content/blog/the-perfect-investor-deck-for-raising-a-seed-round/>
  - <https://teten.com/blog/2015/02/09/dont-pitch-a-venture-capitalist-without-this-checklist/>

### 3. **Individual Reflection paper:** In-market learnings in Kenya

Each student will prepare a 1500-word summary of their learnings in Kenya.

### 4. **Individual Final Paper:** Analysis of BioLite's business model

Drawing on the course content and field work in Kenya, each student will prepare a 1500-word analysis of BioLite's business model.