

Innovation and Social Entrepreneurship

Bottom of Pyramid

Jon Kolko



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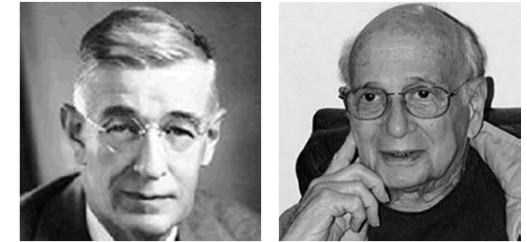
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Bottom of the Pyramid



Horst Rittel & Melvin Webber

Dilemmas in a General Theory of Planning

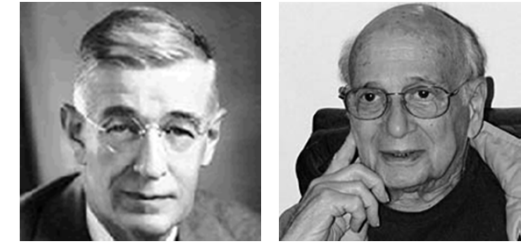


“There seems to be a growing realization that a weak strut in the professional’s support system lies at the juncture where goal-formulation, problem-definition and equity issues meet.”

What does this mean –
what are goal
formulation, problem
definition, and equity?

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Dilemmas in a General Theory of Planning

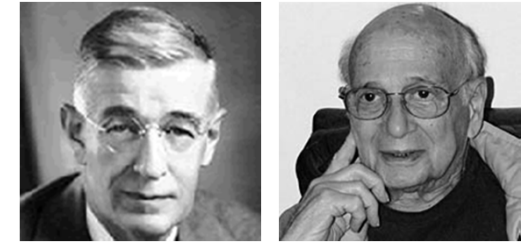


“On the one hand, there is the belief in the ‘makeability,’ or restricted malleability, of future history by means of the planning intellect – by reasoning, rational discourse, and civilized negotiation. At the same time, there are vocal proponents of the ‘feeling approach,’ of compassionate engagement and dramatic action, even of a revival of mysticism...”

Explain. What is “in the air” in popular culture now? Relate to *social* and *context*.

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Dilemmas in a General Theory of Planning

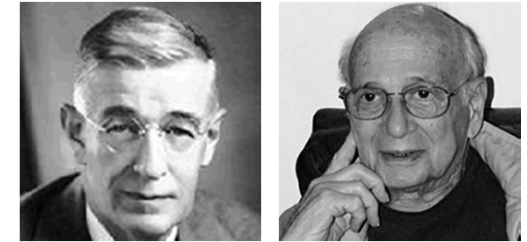


“The classical paradigm of science and engineering – the paradigm that has underlain modern professionalism – is not applicable to the problems of open societal systems... the problems of governmental planning are ill defined; and they rely upon elusive political judgment for resolution. (Not ‘solution’. Social problems are never solved. At best they are only re-solved – over and over again.)”

Why is science and engineering not applicable to open societal systems?

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Dilemmas in a General Theory of Planning

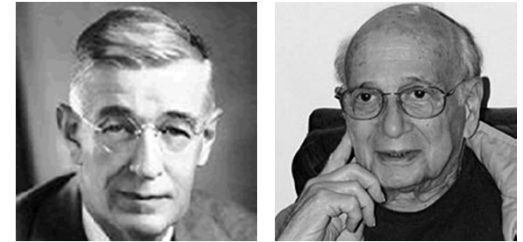


“The information needed to *understand* the problem depends upon one’s idea for *solving* it... the formulation of a wicked problem *is* the problem! The process of formulating the problem and of conceiving a solution (or re-solution) are identical, since every specification of the problem is a specification of the direction in which a treatment is considered.”

Explain this in plain language.

Horst Rittel & Melvin Webber

Dilemmas in a General Theory of Planning



“Every wicked problem can be considered to be a symptom of another problem.”

Do you agree? Why?

CK Prahalad and Allen Hammond

Selling to the Poor



“Turning the poor into customers and consumers is a far more effective way of reducing poverty.”

Do you agree?
Why or why not?

CK Prahalad and Allen Hammond

Selling to the Poor



“When multinational corporations attempt to penetrate new markets in the developing world, critics sometimes condemn them for preaching the gospel of consumer culture to the poor, for exploiting the poor as cheap labor, and for extracting and despoiling natural resources without fairly compensating locals...

Poor families benefit in several ways when large companies target them as consumers. Access to new products, expanded choices, and increased purchasing power improves one's quality of life. New services and information that improve efficiency help increase productivity and raise incomes among poor citizens.”

Do you agree?
Why or why not?

CK Prahalad and Allen Hammond

Selling to the Poor



“More than 60 percent of the value of the shampoo market and 95 percent of all shampoo units sold in India are now single-serve. Many are designed explicitly for the poor and do not even require hot water. Because of these efforts, nearly all Indians now enjoy access to shampoo. Companies selling small unit sizes at affordable prices make money, expand markets, and generate broader access to goods and services that improve people's quality of life.”

When generalized, is this a good idea?

CK Prahalad and Allen Hammond

Selling to the Poor



“Beyond such benefits as higher standards of living and greater purchasing power, poor consumers find real value in dignity and choice. In part, lack of choice is what being poor is all about.

In India, a young woman working as a sweeper outdoors in the hot sun recently expressed pride in being able to use a fashion product-Fair and Lovely cream, which is part sunscreen, part moisturizer, and part skin-lightener, because, she says, her hard labor will take less of a toll on her skin than it did on her parents'. She has a choice and feels empowered because of an affordable consumer product formulated for her needs.”

Describe this with regard to our discussion of “value systems” from quarter 1.

Aneel Karnani

Fortune at the Bottom of the Pyramid: A Mirage



“The BOP proposition is indeed too good to be true. It is seductively appealing, but it is riddled with fallacies. There is little glory or fortune at the bottom of the pyramid—unfortunately, it is (almost) all a mirage...”

Yikes!

Aneel Karnani

Fortune at the Bottom of the Pyramid: A Mirage



“Not only is the BOP market quite small, it is unlikely to be very profitable, especially for a large company. The costs of serving the markets at the bottom of the pyramid can be very high. The poor are often geographically dispersed (except for the urban poor concentrated into slums) and culturally heterogeneous. This dispersion of the rural poor increases distribution and marketing costs and makes it difficult to exploit economies of scale. Weak infrastructure (transportation, communication, media, and legal) further increases the cost of doing business. Another factor leading to high costs is the small size of each transaction.”

Is this enough to claim
“too good to be true”?
Why?

Aneel Karnani

Fortune at the Bottom of the Pyramid: A Mirage



“The single most mentioned example in the BOP literature is shampoo sold in sachets to the poor... This claim of ‘affordability’ is a fallacy. Companies might prefer to sell small packages at lower profit margins to encourage trial and brand sampling. The poor might prefer small packages because of convenience and managing cash flow. The poor find it difficult to save money due to lack of security and lack of banking services. The poor might not have the money to buy a bottle of shampoo, but could buy shampoo sachets for occasional use. This option does create value for the poor, and can thus lead to increased consumption. Small packages also increase consumption by facilitating impulse buying.”

Do you agree?

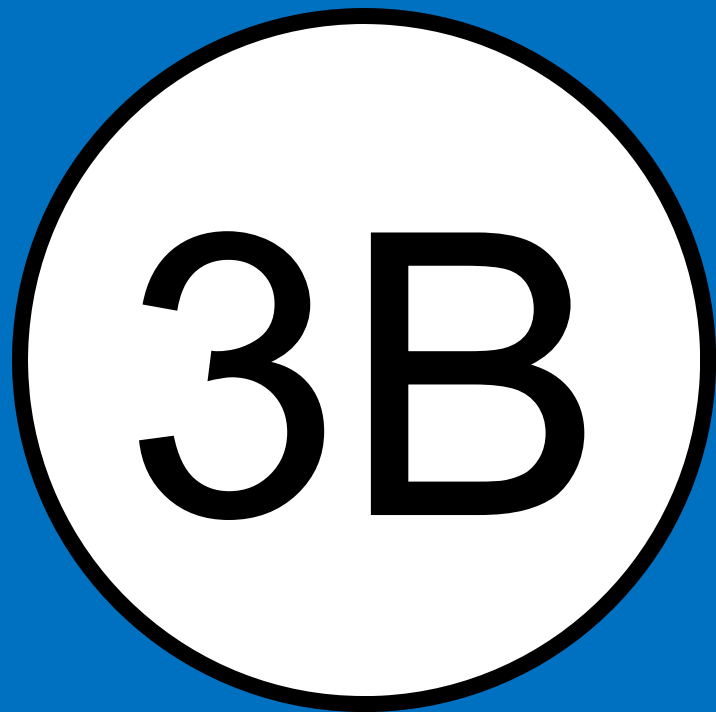
Aneel Karnani

Fortune at the Bottom of the Pyramid: A Mirage



“The private sector can help alleviate poverty by focusing on the poor as producers. One way to do this is to make markets more efficient such that the poor capture more of the value of their outputs. Certainly the best way for private firms to help eradicate poverty is to invest in upgrading the skills and productivity of the poor, and to help create more employment opportunities for them. This is the win-win solution; this is the real fortune at the bottom of the pyramid.”

How do his
recommendations relate
to co-design?



Bottom of the Pyramid



What's the big takeaway for this, and how does it change the way you think about your project work?

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