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ENTREPRENEURIAL SOLUTIONS FOR PROSPERITY IN BOP MARKETS

STRATEGIES FOR BUSINESS AND ECONOMIC TRANSFORMATION



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Prologue: Transformation in BoP Markets: Learning from Rwanda

What is Africa's biggest success story?

Skeptics claim it is impossible to find a success story in Africa; even optimists struggle to answer the question. One might consider high-profile African leaders, like Nelson Mandela, for fathering a peaceful post-Apartheid South Africa. Observers might highlight a business achieving fast growth and record profits: Cell phone companies, social entrepreneurs tackling health or education, or fast-growing banks may emerge.

Yet many highlight the country of Rwanda and its leader President Paul Kagame, also referred to as Rwanda's "entrepreneurial president" for his focus on private sector reforms and investment as the centerpiece of that nation's growth.

In the summer of 2009, CNN's Fareed Zakaria called Rwanda Africa's biggest success story. Mr. Zakaria was the latest in a series of global commentators recognizing Rwanda's metamorphosis. In the last year alone, CNN, *Fortune*, *The New Yorker*, *Fast Company*, and other global media outlets have given Rwanda accolades for its remarkable journey. Rwanda's success represents change and growth processes that will interest businesspeople and leaders striving for dynamic transformation in Bottom of the Pyramid (BoP) markets.

In *Entrepreneurial Solutions for Prosperity in BoP Markets*, I look closely at Rwanda as one key case study that represents an entrepreneurial microcosm in which we can understand the impact of mindset on prosperity creation in difficult operating realities.

In 2001, the country was at its breaking point. The infrastructure was shattered and investments in human capital limited. The private sector was practically nonexistent. Businesspeople working across key sectors faced seemingly insurmountable challenges. From power shortages to customs delays, every step in doing business was a grueling process.

By contrast in 2009, the World Bank in its *Doing Business Survey* named Rwanda the world's leading nation in private sector reforms. A battery of media coverage told the nation's inspiring story to a growing, interested worldwide audience.

Much of the media attention on Rwanda highlights the physical transformations the country has undergone, offering a stark contrast with the images the world saw in *Hotel Rwanda* or global media in 1994, with a large percentage of its population living in poverty, at the bottom of the pyramid. New buildings stand in lieu of ruins, beautiful gardens have taken the place of mass graves, and order has replaced chaos.

It is widely recognized how the nation's leadership team proactively shapes its economic, social, and political destiny. Rwanda sets the terms of its own engagement on the global stage. Rwanda's leadership, vision, and targeted investments in mindset change have driven the rebirth of the country's private sector.

Rwanda took on the difficult task of building its economic growth from within and in an incredibly short amount of time. Vision 2020, the roadmap guiding the entire process, prioritizes pillars such as good governance, private sector-led growth, knowledge-based industries, market-oriented agriculture, and integration into regional markets. In articulating their Vision 2020, Rwandan leaders open by asking themselves: "How do Rwandans envisage their future? What kind of society do we want to become? How can we construct a united and inclusive Rwandan identity? What are the transformations needed to emerge from a deeply unsatisfactory social and economic situation?"

Rwanda's startling journey was defined by the people's vision for their own futures—and supported by innovative thinking and an unconventional approach. The nation's approach is rooted in entrepreneurial thinking. The parallels between the questions Rwanda's Vision 2020 asks and that of a good business plan are apparent.

Rwanda has managed to articulate and implement a unique strategy based on entrepreneurial solutions for prosperity.

The rest of the world is starting to recognize the opportunities and want to be part of the country's bright future. The small African nation has captured the imagination of some of the world's top businesspeople. Chicago businessman and investor Dan Cooper told *Fortune* in a 2007 interview that on his first visit to Rwanda, "We came away saying: this is the most undervalued 'stock' on the continent and maybe in the world." Rwanda's success showcases what Africa and other BoP regions can accomplish.

Entrepreneurial Solutions for Prosperity in BoP Markets examines the opportunities available to businesspeople and leaders in BoP markets. The book explores one of the foremost challenges inherent in these regions encapsulated by a vicious cycle I call "The Survival Trap" and outlines how holding the same, outdated mindsets perpetuate this cycle. After this diagnosis, the book then proposes Seven Opportunities, along with supporting principles and practices, for breaking out and creating prosperity.

This book equips entrepreneurs, managers, and leaders with a better understanding of the challenges of operating in BoP markets. It also provides the necessary tools to identify the pitfalls that keep them stuck in The Survival Trap, and practical solutions to achieve success in business and beyond in emerging markets.

While most of the businesspeople and leaders profiled here hail from Africa, this book also draws insights from leaders in India and the Caribbean, showing the global applicability of the entrepreneurial solutions articulated here in the real life across emerging markets. It also provides governments with the framework necessary to embrace and implement "private sector-led development." Development partners and nongovernmental organizations (NGOs) gain the necessary understanding to challenge business and government to play their respective roles in fostering prosperity in BoP markets.

In the following chapters, *Entrepreneurial Solutions for Prosperity in BoP Markets* draws from the experience of businesspeople and leaders across the globe to draw lessons that can be used to change not only businesses, but other institutions and entire countries that are struggling to find their place in the global market.

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Identifying the Problem— And the Solution

Every generation faces a challenge, the answer to which shapes how it is remembered in history. Poverty has emerged as the foremost challenge facing our generation. A great many approaches have been tried in the fight against poverty. Despite limited progress, most citizens in developing countries still live at the bottom of the economic pyramid (BoP).

In *Fortune at the Bottom of the Pyramid*, C. K. Prahalad makes a strong case that the vast majority of people living on under two dollars a day in the developing world represents an opportunity for businesses to make money while having a social impact. Finding ways to solve poverty while tapping into economic opportunity at the BoP requires that we discover why this challenge persists.

Whether in business, government, civil society, or just simple citizens, most individuals operating at the BoP face myriad challenges. These challenges not only affect productivity but also confuse attempts to unearth the root cause of poverty. Getting to the root cause requires moving beyond theory as we look at the problem from the perspective of typical individuals in BoP markets. Let us consider such individuals.

Pretoria, South Africa: Themba, CEO Who Can't Collect

It is early Monday morning in Pretoria, South Africa. In the bustling capital city, workers head into their offices. It is the last

week of the month. The excitement is tangible: It is month-end, with a coming three-day weekend. High spirits incite an eagerness to close deals, secure payments, and swiftly conclude the month's business.

But the coming weekend is the least of Themba's concerns.

When poverty led others to join gangs, Themba decided to start a business. The story of his firm, ITC Africa, started as the business equivalent of a fairy tale. Themba won a large multimillion rand contract to supply his national government with IT equipment and training. The deal made headlines. It was the first time a black-owned firm had won such a large tender.

Yet, nine months later, Themba feels as though he is standing in quicksand. Themba is exhausted. The government officer who is supposed to pay him hasn't done so and has not returned his repeated telephone calls of late. Failure to make payroll would deal a devastating blow to employee morale.

To make matters worse, he has malaria and his fever is rising. As he walks out of his office, he prays that his illness doesn't make a difficult situation impossible.

Kibera, Nairobi, Kenya: Mariam, Microentrepreneur Who Must Choose between Feeding Her Children and Feeding Her Business

Mariam is among millions of microentrepreneurs living hand-to-mouth. Stuck at what C. K. Prahalad called the Bottom of the Pyramid (BoP), these entrepreneurs struggle daily to create economic opportunities that enable them to escape crushing poverty.

The mother of three young children, Mariam faces a dilemma in Nairobi's Kibera slum. "*Cash or credit?*" she thinks, taking out her last 5,000 shilling.

Cash will allow Mariam to return home a hero, with food for her children. Credit, in the form of cell phone airtime, or M-Pesa which doubles as local currency, will sustain her business.

Mariam takes a resolved step toward an airtime retailer, where she loads 5,000 shillings onto her phone. She elects to invest in her business. One thousand shillings in M-Pesa mobile money is one day of cash flow for her business.

Mariam takes the forward-looking view to increase her ability to earn a living: She's investing in her future potential for commercial transactions, rather than the security of tangible goods in hand. Mariam sees opportunity over risk.

When asked about her decision, Mariam says she is opening her own doors. "Everyone keeps doors closed to businesspeople! That is unless you have a bribe. Otherwise, they force you to go under the door, around the door, or even create your own. Why have doors if we cannot go through them?"

One of a legion of struggling BoP entrepreneurs, Mariam's frustration is palpable. Her only hope is that her children avoid her fate through the education and quality of life she strives to give them.

Santiago, Chile: Jaime, International Executive Who Has to Please Everyone

It is close to midnight in Santiago. Jaime sits alone in his office, finalizing the presentation for his meeting with the company's CEO who is visiting Chile. The data tells a clear story, the graphics are compelling, and the actions are clear.

Yet, Jaime cannot help but feel something is missing. Last year, mineral giant MineGroup acquired a major minerals concession. Analysts applauded the firm for scooping a jewel. The company's public relations team scored a coup by diffusing the good news represented by this acquisition.

A rising star at MineGroup, Jaime, a native of Bolivia, was overjoyed to lead the new entity: His international experience, managerial skills, and a Wharton MBA prepared him for this assignment.

After 100 days on the job, Jaime's initial excitement is gradually turning into apprehension. MineGroup faces major union disputes. Protests from the community and environmental activists are multiplying.

The next morning, Jaime delivers his presentation to a full room including senior government officials, MineCorp's CEO delegation, and the local management team. The CEO congratulates Jaime on his progress addressing strategic issues around community engagement, while ultimately stressing financial targets.

Despite a near-perfect performance in the boardroom, Jaime senses that something is still wrong. The demeanor of the Chilean counterparts tells Jaime he failed to convince them to buy into MineCorp's vision. Jaime feels he won a small battle in a long and protracted war, but fears the situation will get much worse before it gets better. He only hopes his Latin American heritage will help him broker peace.

Kingston, Jamaica: Lisa, Business Leader Whose Industry Is Struggling

It has been a long time since Lisa had a good night's sleep. Behind her poise, honed by a lifetime as a top hospitality entrepreneur, Lisa feels powerless to help most members in her industry association. She accepted the position of president of the hotel owners association because she believed another way was possible for Jamaica's tourism industry. Today she is not so sure.

After studying English literature at Oxford, Lisa returned to her native Jamaica to support her parents in running their hotel. The family business has grown from a single property venture into one of the prominent chains on the island.

Over the past decade, Jamaica's tourism industry has struggled. The island has become hostage to a cartel of large travel wholesalers selling sand and sun packages to low-paying tourists. Most hotel owners are now reduced to working to barely pay the mortgages on their properties. Larger international or regional chains with integrated distribution networks are taking over the industry.

The sector has reduced both the number and the quality of jobs, fuelling the unemployment crisis and increased violence on the island. This has resulted in the local tourism industry losing significant ground. With its limited resources, the government has not been able

to offer any assistance to struggling properties. Relations across the industry have deteriorated as the pressure on stakeholders increases.

A recent hurricane damaged several properties on the Northern part of the island. A crisis meeting has been called with government. Lisa knows that several of her members will not fail to raise the unsustainable state of the industry and is not quite sure how to answer these valid concerns.

Abuja, Nigeria: Ijeoma, Government Leader Who Can't Help Feeling Like a Beggar

After graduating top of her class at Princeton, Ijeoma had a distinguished career on Wall Street and followed by a stint in academia. Two years ago, Ijeoma agreed to serve in the government of her native state in Nigeria. Ijeoma knew she made the right decision when she visited her village and saw that people were living in worse conditions than those she experienced growing up there in the 1970s.

Ijeoma's house was flooded by relatives begging for money to send their children to school, get medical treatments, and bury loved ones. While she understands that handouts are not the solution, she can't just let her relatives fend for themselves.

As Minister of Finance and Economy in her state, Ijeoma is at a loss about what to do. As an economist, she believes her state needs a "big push" that would see billions of dollars invested in infrastructure, education, and private sector development.

For a variety of reasons, internal resources make up only 30 percent of her budget. Ijeoma is now reduced to begging from the central government, development partners, or anyone who will listen to get money.

Yet, Ijeoma feels stuck. She espouses the view that aid will not get African nations out of poverty. But she must alleviate the suffering of millions of her fellow citizens. From where she sits, aid seems the only pragmatic, and often possible, solution. As she sits on the plane for her ninth trip to Washington, DC, Ijeoma feels sick to her stomach. Unless she can find a solution out of her life as a beggar, she knows her personal sacrifice will have been in vain.

Washington, DC: Rob, Development Partner Can't Work Self Out of Job

Rob has had the “development bug” for as long as he can remember. His dream has always been to work himself out of a job.

After a stint in government, Rob traveled the world as an economic development consultant. He fondly remembers traveling to remote parts of Africa, Southeast Asia, and Eastern Europe to talk about business strategy and entrepreneurship.

Thirty years later, when the new USAID administrator asked him to head its economic transformation department, Rob saw this as an opportunity to revolutionize the development conversation. At long last, he controlled the purse strings.

Rob has always believed that money was not the problem in development. Now, he knows. After injecting hundreds of millions of dollars into key initiatives over the past two years, the program review his team just completed suggests even more money is needed.

As he contemplates the next phase of his program, Rob knows something has to change. While he has some radical proposals such as enforcing a definite deadline for all his programs, he begins to wonder whether he will have the political know-how to maneuver his way out of this bind.

The Core Problem: Caught in The Survival Trap

Stories of individuals like Themba, Mariam, Jaime, Lisa, Ijeoma, and Rob play out daily in any of a hundred developing nations, from islands in the Caribbean to the landlocked heart of Africa. Entrepreneurs, managers, and leaders in BoP markets alike experience deep frustration.

It would be easy to look at these scenarios and put them into categories of common business or development issues, and prescribe “tried and true” approaches: cash flow management for Themba, access to a microfinance program for Mariam, a corporate social responsibility (CSR) strategy for Jaime, marketing efforts for Lisa, a

resource mobilization drive for Ijeoma, and a new development strategy for Rob. This is exactly what development experts have done for decades.

There is real value in these initiatives. Cash flow management is critical for any business; microfinance creates opportunities to improve livelihoods at the bottom of the pyramid; and strategies matter both in business and development. But none of these initiatives are sufficient to succeed in the complex operating reality of developing nations. When we see scenarios such as the ones described above, we spring into action. These are important issues to tackle. However, all too often, the actions only offer temporary relief.

Three key gaps illustrate the unique nature of doing business in emerging markets. The first is the tension between meeting the vast unmet demands for basic services, while confronting the reality that existing businesses struggle for access to fundamentals such as educated staff and suitable infrastructure.

The second gap is the existence of The Survival Trap. The Survival Trap is a cycle that entraps those at the BoP. Its effects can be felt at all different levels throughout the nation, including the reality that the poorest nations face complete bankruptcy in their inability to meet their operating and investments needs.

Finally, conditions are such that a high proportion of potentially productive pockets of society, especially women and youth, are underutilized at significant costs to society. Acknowledging these realities is fundamental to defining a new approach to doing business and creating prosperity in BoP markets.

The question becomes, why do we keep using the “tried and true” approaches? Have we become so accustomed to them that we automatically reach to these solutions, knowing they will at least produce some results, rather than breaking with convention and stepping out into the unknown?

As Albert Einstein allegedly remarked once, “the definition of insanity is to do the same thing over and over again and expect a different result.” While “tried and true” approaches are important and can yield results in some instances, there is an even bigger problem than knowing what approach to apply. The bigger problem is this: People become stuck in a Survival Trap.

The Survival Trap is a vicious cycle that keeps individuals, business-people, and leaders in the developing world pursuing the same strategies in the face of chronic problems. This habitual process robs them of the power to solve their problems and catalyze significant change.

In his *Action Science* theory, Chris Argyris gives us a key to understanding The Survival Trap.¹ The breakthrough in Argyris' model is the recognition that operating reality (or context) and mindset matter dramatically in achieving results.

As illustrated in Figure 1.1, stakeholders stuck in The Survival Trap become overwhelmed by their operating reality and its difficulties. As a result, they develop reactive mindsets that fail to imagine solutions beyond their immediate challenges. These mindsets inform reactive actions which provide short-term relief but fail to address the real problems. When things fail to change, they repeat the same actions only with redoubled efforts.

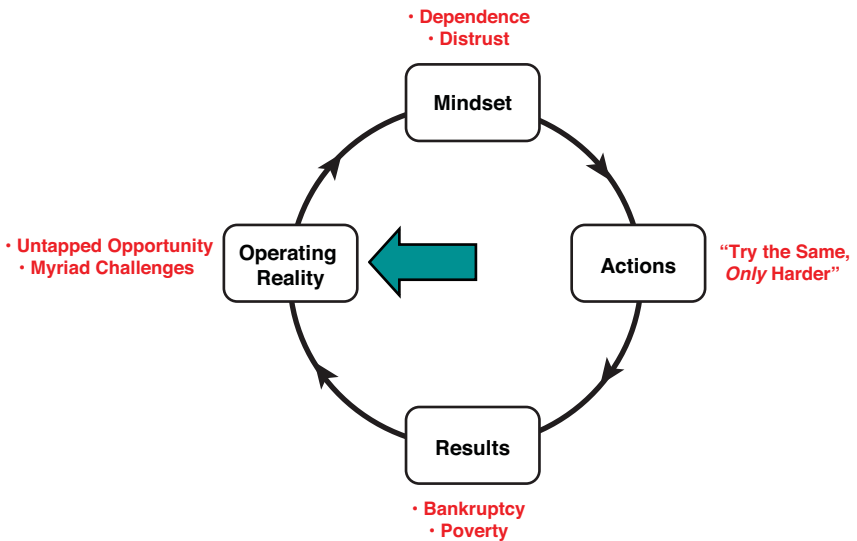


Figure 1.1 Stuck in The Survival Trap

Leaders, whether business, national, or development, are increasingly recognizing the success of individual firms as key to economic growth. However, when faced with a challenge, leaders often apply outdated thinking, or “winning formulas” that worked in the past. As a result, each time people fail to obtain a desired outcome,

they implement the same strategy: “doing the same thing, only harder.”

Firms fail to thrive, governments continue to rely on aid, and poverty is perpetuated. Results don’t change given that the actions are fundamentally the same, and informed by previous mindsets, mental models, or beliefs. These mindsets are further shaped by the operating reality, or business environment, in which these stakeholders operate.

This situation erodes trust while increasing dependence. Trust erodes because stakeholders compete against each other to access limited and unreliable sources of aid. As a result, dependence increases, as individuals rely on somebody else to solve their problems. With effort, an expectation is created, and with each repeated failure, disappointment grows. Continuous disappointment eventually leads to distrust, resentment, and allocation of blame.

As this approach fails to generate results, ownership slips away, and the locus of responsibility shifts, breeding a culture of dependency and mistrust. This eventually evolves into endemic problems with direct implications for business. Eventually, all stakeholders operating in developing countries come to the conclusion that the “context” is to blame. Massive efforts such as the World Bank’s Doing Business Survey and the World Economic Forum’s Global Competitiveness Index are undertaken to evaluate change in the operating reality or context of countries.

Yet focusing exclusively on myriad challenges present in the operating reality often clouds the judgment of stakeholders. Instead of looking for sustainable solutions, massive, urgent action is taken that ultimately fails to deliver real solutions. Again, this approach means that a lot of work is wasted on efforts that only solve part of the problem and leaves out some of the essence.

Getting at the Essence of The Survival Trap from a Stakeholder’s Perspective

Themba, Mariam, Jaime, Lisa, Ijeoma, and Rob profiled at the beginning of this chapter illustrate the pervasiveness of The Survival Trap, which draws its power from its intangible impact on leaders

operating in the developing world. No one is immune to the impacts of The Survival Trap. While the stakeholders introduced at the beginning of the chapter each come from different sectors, they are all facing the impacts of operating in The Survival Trap. In the following sections we look at specific characteristics influencing each of the five stakeholder groups introduced at the beginning of the chapter.

Mariam and Other Bottom of the Pyramid Citizens

The vast majority of citizens in the developing world are stuck in The Survival Trap on a daily basis. To fully understand their predicament, one has to have an authentic and strong sense of their daily experience:

- Living hand-to-mouth with no savings or assets
- Powerlessness to realize their ambitions and make their plans work
- Lack of input in the policies and decisions that affect them the most
- Struggling to survive today and simultaneously worrying about the future

Formidable Challenge for Themba and Other Entrepreneurs

Developing world entrepreneurs have a strong ability to overcome difficult conditions. Nonetheless, The Survival Trap is a formidable challenge even for these achievers. For instance, a relationship with government requires translating business needs into political lingo, something that is hard for entrepreneurs to grasp given their level of stress. For entrepreneurs, The Survival Trap robs them of their power to excel in the following ways:

- Status quo merely maintained while great energy is expended to survive in what seems like quicksand
- Have trouble delegating right now

- Meet closed doors everywhere to expand their businesses
- Do not feel understood by other stakeholders, especially government

Jaime and Managers

Managers, especially international executives, come with talents and brains as well economic might. Yet, even for these stakeholders, The Survival Trap is a force to be reckoned with. Their experience is analogous with being stuck between the hammer and the anvil:

- Sense of not being focused where they could have maximum impact
- Growing pressure to meet the needs of an ever-expanding list of stakeholders
- Frustrated at not being able to control or understand forces at play
- Feel like an outsider that is not trusted by key stakeholders

Lisa and Industry or Cluster Leaders

Industry or cluster leaders have vast real-life experience and relationship networks. However, The Survival Trap compounded by globalization makes several fear for the future of their business in particular and their industries in general. Industry or cluster leaders have lost control of the key drivers in their fields:

- Growing conflicts within the industry that fail to solve the real problem
- Sense of loose financial control with dwindling profit margins
- Customers, competitors, and suppliers that are outside one's circle of influence
- Constant need to innovate without resources and knowledge to do so

Ijeoma and Government Leaders

Beyond the appearance and trappings of power, most government leaders feel immobilized by The Survival Trap. This vicious cycle curtails their power. In hindsight, leaders point to the Trap as a major limitation to their impact:

- Lack of focus on the “real mission” dealing instead with problems without solutions
- Inordinate amounts of energy and time dispensed to make things happen
- Persistent feeling of being assailed with innumerable urgent and important issues
- Experience being at the mercy of outside forces

Rob and the Development Community

Most development workers truly want to make a difference. The Survival Trap makes this righteous objective untenable by becoming frustrated by government. And government blames business for being overly demanding and greedy.

- The BoP point fingers to the elite, who in turn blame the international community.
- The international community decries the irresponsibility of local leaders.
- Blame escalates, communication breaks down, and the status quo persists.
- Everyone feels a certain level of powerlessness and frustration.

Everyone experiences their own version of The Survival Trap. As a business leader once said, “the truth is that we are stuck in a situation where the elite sees its asset base deplete while the rest of the population lives in utmost misery. The situation is getting worse for all of us.”

His insight points to a good metaphor to illustrate The Survival Trap, that of the Greek’s mythical Sisyphus who is compelled to roll a huge rock up a steep hill. But before he can reach the top of the hill, it always rolls back down, forcing him to begin again. The gods

thought that there was no greater punishment than futile work that ultimately did not change the final result. Many stuck in The Survival Trap would agree.

BoP Markets as the Biggest Untapped Business Opportunity

As illustrated by the case of Mariam, most people living at the bottom of the pyramid are in The Survival Trap and forced to make difficult choices.

While awareness of opportunities in BoP markets has increased following C. K. Prahalad's work, these opportunities remain unclear to the majority of business executives and leaders.

It is therefore important to revisit the global importance of BoP markets. Those most affected by The Survival Trap are those at the BoP, those that Prahalad has characterized as an untapped and potentially highly profitable market segment.

The base of the pyramid has productive and entrepreneurial capabilities, as well as representing a massive purchasing force with significant unmet needs for goods and services. If the productivity of this group is harnessed, the impact could be the game changer needed to once and for all alter the dynamic whereby the majority of humanity remains poor.

Characterized by income below \$3,000 per annum, BoP citizens number four billion people throughout the world. The four billion people who live in relative poverty have purchasing power representing a \$5 trillion market, according to a report by the IFC, the private sector arm of the World Bank Group, and World Resources Institute (WRI).² Figure 1.2 offers a breakdown of this market across regions.

The second thing to consider is that the BoP has spending preferences reflected in how it allocates its budget on different services. While food comes on top with almost \$3 trillion or 60 percent of all spending, energy (\$433 billion), housing (\$332 billion), and transportation (\$179 billion) represent big opportunities.³

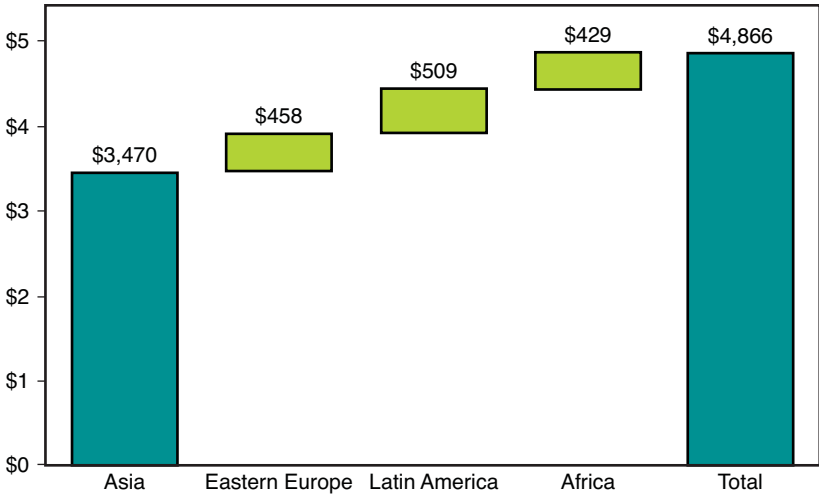


Figure 1.2 BoP income by region

The Case of Africa: Islands of Opportunity in a Sea of Challenges

“Africa is humanity’s last frontier in the search for development,” President Jakaya Kikwete of Tanzania recently remarked.⁴ This last frontier mentality encapsulates the need for a catalyst, for fundamental change, to the manner in which business and development are approached in all BoP markets.

Understanding the unique nature of BoP markets, especially Africa, enables us to identify and address the barriers to transformative change. The important component is to see opportunities where others see the need to fix problems.

To understand the case of Africa, consider the empirical evidence. The economic and human indicators are dire. Over the past 42 years, \$568 billion (in today’s dollars) has flowed into Africa, yet per capita growth of the median African nation has been close to zero.⁵ Despite massive efforts, the number of people living on less than one dollar a day barely changed between 1990 and 2005, declining just 5 percent to 41.1 percent. An important factor to consider is that economic flow is diluted by population growth. Further, the share of the poorest 20 percent has not increased over the 1990-2005 period.

Over the same 15-year period, mortality rates for children under five dropped by less than 3 percent, and only an additional 5 percent of the population have gained access to basic sanitation, leaving 37 percent of people without this necessity.⁶ One composite for general progress across all categories, the Human Development Index, placed sub-Saharan Africa's rank in 2007 at 0.514, showing little improvement over the life of the index and ranking well below other regions.⁷

However, there is promise too. Africa is increasingly recognized for the breadth of commercial opportunities it provides. Its population numbers almost a billion with an estimated 42 percent under 18.⁸ The low level of development, combined with rapid population and economic growth, means opportunity for the taking.

The story of Africa's cellular operators is one compelling example. Africa is the fastest growing mobile market in the world with mobile penetration in the region ranging from 30 percent to 100 percent and in most countries exceeding the fixed line penetration.⁹

In 2005, the \$3.4 billion Zain's acquisition of Celtel was one of the largest deals in emerging markets. In the process, African entrepreneurs like Mo Ibrahim have made fortunes. Similar opportunities exist in sectors such as financial services, healthcare, and infrastructure.

Africa's opportunities are stifled by the continent's performance as a business destination. African nations lag the rest of the world in economic competitiveness. Forty-eight out of the last fifty nations in the World Bank's Doing Business survey hail from Africa.

The gloomy picture painted by these rankings reflects a daily struggle for businesses. Routine procedures, such as the time to file corporate tax returns, take on average three times longer in Africa than in the West. Most businesses cannot count on consistent and affordable supplies of power, water, and other basic infrastructure.

The Survival Trap has also had an impact on Africa's standing in international trade. According to a recent World Bank study "Despite continued commitment to reduce tariff and non-tariff barriers to trade, Africa's share of world exports is on a downward trend. African countries have been unable to gain strong presence in the global manufacturing market and thus remain highly dependent upon a narrow range of primary commodities for their export earnings, leaving them vulnerable to market shocks."¹⁰

International aid strategy has failed to create sustainable prosperity, largely due to a failure to support business. A debate is currently raging between the proponents of more aid with Jeffrey Sachs as the lead spokesman and, on the other side, those who want Aid Dead, to borrow from the title of Dambisa Moyo's book.

The Solution

Escaping The Survival Trap requires answering this question: What do we do when doing *more* of the same is not enough? When *more* ceases to be enough, a *different* approach is required.

Unlike Sisyphus's predicament, the good news is that we have a say on whether we remain stuck in The Survival Trap. What if one solution—one issue—is the central concern in this trap, with many different manifestations?

What if we went beyond that and discovered not only that there is one solution, but a solution that affects not only economic implications of The Survival Trap but all other issues related to this vicious cycle? Is there one answer that can integrate all of that?

What is that one answer driving all of these other problems?
“Mindsets.”

Mindsets provide the key to escaping The Survival Trap.

In each one of these scenarios, there is one common issue—the stakeholders above harbor mindsets that impact their actions. We must start with *mindsets* and ask hard questions about the thinking underlying our actions. We are then able to engage in what Argyris and Schön call double-loop learning. In a nutshell, double-loop learning occurs when stakeholder or organizations correct errors by revisiting the underlying norms, policies and objectives.¹¹ We expand this idea in our discussion of mindsets in Chapter 3, “Why Mindsets Matter.”

When we engage in double-loop learning, we are able to change our mindsets and as a result take new actions that go outside established patterns. Such double-loop learning is the key to escaping The Survival Trap.

Focusing solely on “operating reality” leads stakeholders to consider generic or massive solutions, to shift the locus of responsibility, and ultimately to reinforce feelings of powerlessness. Instead of confronting reality, one ends up shifting responsibility for the challenges one faces. Focusing on mindset, however, invites stakeholders to recognize the central role *individuals* play in bringing change to massive systems. That realization is powerful because it makes substantial change possible.

Figure 1.3 illustrates how stakeholders can lead the escape out of The Survival Trap by focusing on mindsets instead of being overly reactive to the context. It makes us question our assumptions about the situation we are facing while bringing forward hard questions about context, actions, and results that can help move us out of this vicious cycle.

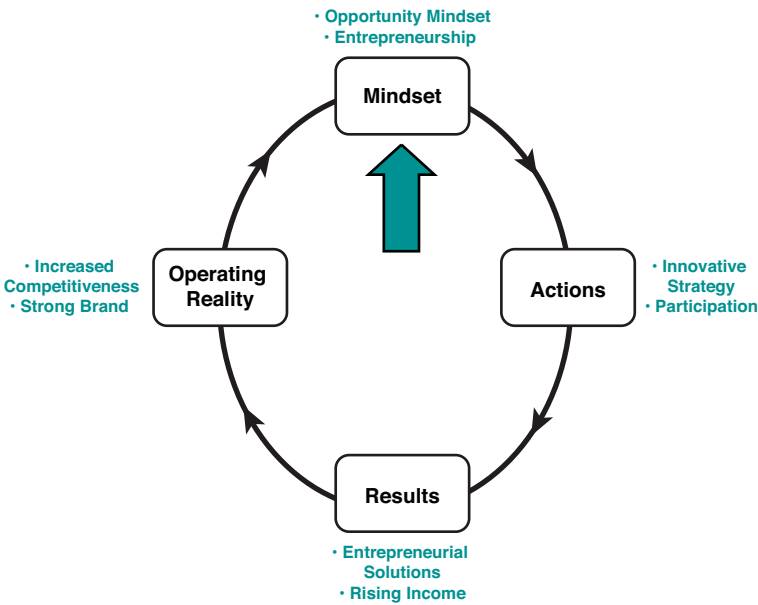


Figure 1.3 Escaping The Survival Trap

Why Business Must Lead BoP Nations out of The Survival Trap

So far, we have established that The Survival Trap is an experience shared by all stakeholders in the developing world. We have also discussed how escaping The Survival Trap requires mindset change.

The next step is to identify the stakeholders best positioned to lead the change process. Business, both entrepreneurs and managers, must be at the forefront of the struggle for prosperity in BoP. First, because the core of the challenge in these regions stuck in The Survival Trap is economic. Both individual experiences and empirical evidence highlight this challenge. When inspired by the right values, firms are better equipped to solve economic challenges. This is not to say that government and development partners have no role to play. Indeed, their foremost responsibility is in improving the operating reality for firms to compete.

Among businesspeople, entrepreneurs are prime candidates to serve as change agents and have a unique perspective. By definition, entrepreneurs are problem solvers. They also have an excellent track record of producing results in BoP markets.

Second, business has an incentive to solve the challenges in BoP markets. In *Africa Rising*, Dr. Vijay Mahajan redefines Africa from a collection of countries with varying agendas and conflicts, to a unified pan-African consumer base of one billion with tremendous purchasing power. Africa is awaiting its entrepreneurs to build fortunes while helping the continent escape The Survival Trap.

Finally, there is a strong moral imperative for businesspeople to transform their communities. While such successes are commendable and inspiring, they highlight the sharp contrasts that exist within BoP markets. To succeed in these environments, it is important that entrepreneurs realize that they cannot live in castles in the midst of slums without repercussions. The moral case for business to lead the escape out of The Survival Trap is compelling.

In leading BoP markets out of the Trap, it matters a great deal that businesses understand the value of collaboration. This is particularly important because the difficult context of BoP markets has taught businesses to be self-reliant. While this self-reliant mindset is

critical to prevail over the tough challenges in BoP markets, business must understand that it is not enough to change the context alone.

When operating in BoP markets, most businesses are faced with a host of apparent problems: market inefficiencies, production difficulties, and global competition. Yet a sole focus on those can be misleading. The deepest challenge, mindset, is not apparent.

A distinguishing feature of most successful executives in BoP markets is their superior ability to go beyond the apparent and confront the reality of the mindsets that inform unproductive behavior. A key to prospering in BoP markets is the capacity to change these mindsets and foster new behavior. The business leaders discussed in this book are good illustrations.

The magnitude of the challenge requires that businesses come together if they are to succeed. Business must leverage partnerships, associations, and clusters to address their business challenges in a sustainable manner. Beyond cooperation with other businesses, firms must also collaborate with government and development partners to solve some of the structural issues in TST countries including infrastructure, rule of law, and so on.

Building Partnerships That Transcend The Survival Trap

Businesspeople are but one, albeit one of the most important, set of stakeholders that can help BoP nations prevail over The Survival Trap. Other change makers include political leaders and development financing institutions.

Political leaders often define the playing field where entrepreneurs operate. Through their vision (or lack thereof), political leaders perpetuate bad strategies that have kept developing countries poor. The fundamental mindset shift required here is the acceptance that business must drive prosperity creation, which runs opposite the classic development model.

While this model made tremendous sense when the elites needed to focus on politics to build new nations post-independence, new global conditions require a different approach. Instead, citizens living in countries characterized by The Survival Trap must be empowered to take responsibility and exercise self-determination at all levels.

Most BoP countries are emerging nations with young and growing populations that aspire to live a prosperous life according to their own definitions. These aspirations translate into business opportunities such as selling new products, which for-profit businesses are in the best position to provide.

One of the crucial mindsets to overcome is zero-sum thinking—a belief derived from economic theory and game theory that suggests that one’s neighbor and oneself cannot prosper at the same time. Such thinking makes public sector leaders and development partners loathe entrepreneurs.

As a result, these groups often assume that helping business executives is helping the rich instead of focusing on the poor. These groups need to acknowledge that their focus to help the poor has been misguided and needs to shift in order to get the sought-after results—alleviating poverty and creating prosperity.

Practical Solutions for Escaping The Survival Trap

As discussed above and further explored throughout this book, varied stakeholder groups have unique roles to play in the process of escaping The Survival Trap. Stakeholders must realize that business creates opportunities for all citizens as players, especially the poor. Business has the know-how to deploy capital effectively for all involved. *Entrepreneurial Solutions for Prosperity* frames the debate for each of the key players.

- **Business** Businesspeople must equip themselves to “name the elephant in the room” in their businesses and at the national level. By identifying The Survival Trap and its characteristics, entrepreneurs are then able to identify practical actions within their control to address its pervasive effects. Managers must develop an improved understanding of the challenges of operating in BoP markets, in particular the unique challenges of an environment as nuanced as emerging nations especially Africa. All business leaders will learn how to leverage the Seven Opportunities to conduct “good” and profitable business in BoP markets.

- **Government** Governments sometimes embrace “private sector led development” without the tools to effectively fuel this change. Failure comes from the lack of a structured approach linking mindset change to day-to-day actions. *Entrepreneurial Solutions for Prosperity* helps government leaders identify the mindsets and actions required to enable businesses operating in BoP markets to have a positive societal impact, while maintaining optimal profitability. Government further learns to foster an entrepreneurial mindset in their midst and break continuous dependence on development partners.
- **Development partners** Development partners gain the tools to challenge both business and governments to play their respective roles in fostering prosperity in BoP countries. Partners also develop a better understanding of the systemic reasons BoP markets remain mired in poverty, and identify the mindsets and actions to enable businesses in BoP markets to operate effectively. Finally, development partners gain the resources necessary to challenge the existing entrepreneurship/private sector development model that puts the onus on development partners and government as opposed to the entrepreneur.

The Approach

This is primarily a book about prosperity creation in business and society. It is about your business, your institution, your nation, and your sense of control over your economic destiny. Hopefully, it will help you *think* and *act* differently so that we together can escape The Survival Trap.

The initial focus is on defining mindsets and their impact on business. Mental models are measurable and changeable. Good frameworks exist across disciplines to change mindsets. The next chapter addresses these issues.

Themba, Mariam, Jaime, Lisa, Ijeoma, and Rob consider this new perspective; they realize how uncomfortable they are with the idea of mindset. I explore a few underlying concepts to understand these mindsets and the implications on their lives.

Next, we move to identify and provide specific opportunities for entrepreneurs, managers, and leaders to not only change the mindsets that inform their economic strategies but also act differently. Throughout I offer case studies of businesspeople and leaders who have successfully confronted The Survival Trap in their lives, transforming their businesses, and in some cases their nations.

Endnotes

¹ Chris Argyris explicits his Action Science theory in his book *Action Science, Concepts, Methods, and Skills for Research and Intervention* (San Francisco: Jossey-Bass, 1985). These concepts are further applied to organizations in his bestseller *Knowledge for Action: A Guide to Overcoming Barriers to Organizational Change* (San Francisco: Jossey-Bass, Inc. Publishers, 1993). This is also discussed in C. Argyris and D. Schön, *Organizational Learning: A Theory of Action Perspective* (Reading, Mass: Addison Wesley, 1978). Michael Fairbanks and Stace Lindsay applied this model to developing countries in *Plowing the Sea* (Cambridge: Harvard Business School Press, 1997).

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