

LISA

Capitalism at the Crossroads

Interview with Dr. Stuart Hart

The logo features the word "LISA" in a bold, serif font, with a red horizontal line underneath. A small "TM" trademark symbol is positioned to the upper right of the text. The logo is centered within a light-colored diamond shape that has a subtle grid pattern.

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Professor Stuart Hart founded the Center for Sustainable Global Enterprise at the Johnson Graduate School of Management at Cornell University. He is one of the world's top authorities on the implications of sustainable development and environmentalism for business strategy. Hart is currently the Samuel C. Johnson Professor of Sustainable Global Enterprise and Professor of Management at Cornell University. Previously, he taught strategic management and founded both the Center for Sustainable Enterprise (CSE) at the University of North Carolina and the Corporate Environmental Management Program (CEMP) at the University of Michigan. You can reach Hart at slh55@cornell.edu.

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**An Interview With Dr. Stuart Hart,
Founder of the Base of the Pyramid Learning Laboratory
Interviewed by Rebecca Ray, Global Business Editor, LISA**

Dr. Stuart Hart, Samuel C. Johnson Professor of Sustainable Global Enterprise and Professor of Management at Cornell University, has been at the forefront of sustainable development and an advocate for inclusive capitalism since the very beginning. He is widely viewed as a pioneering thought-leader of sustainable global enterprise in both the academic and business communities.

*Hart is a “mover and shaker,” in the best sense of the term. He is the author of a new book, *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World’s Most Difficult Problems*, (recently released by Wharton School Publishing). With colleague Erik Simanis, he is also the Founder of the Base of the Pyramid Learning Laboratory, a coalition of corporate, academic and non-profit partners focused on identifying practical, market-based solutions for the four billion individuals living in poverty at the Base of the Pyramid (BOP). Hart continues to play a key role in evangelizing and convincing all of us to commit to a more effective and more humane form of capitalism that is designed to benefit all of us.*

Language plays a critical role in everything that Hart does. Read on to find out why.

Women and children now spend on average four to six hours per day searching for fuel wood. In meeting our needs, we are destroying the ability of future generations to meet theirs. A sustainable global economy is an economy that the planet, with all of its living species, is capable of supporting indefinitely.

LISA: *What is “inclusive capitalism?”*

Hart: Inclusive capitalism is a form of capitalism that will allow the four billion individuals who currently survive on US \$1,500 or (usually much) less a year, to raise the quality of their lives – and to do so in a way that will not destroy the planet. It recognizes and includes other living forms and is designed to be mutually beneficial, i.e., it is sustainable in the long-term. This model is in contrast to the current form of capitalism practiced in most of the world, which generally only provides for the material needs of the 800 million people who live in relative comfort.

LISA: *How did this movement get started?*

Hart: Sustainable global enterprise is the fruit of what we learned from the environmental and social change movements that began in earnest in the 1960’s and 1970’s in the West. The result of these movements turned

out to be a wall of governmental regulations with which corporations were forced to deal. At the time, many believed that the private sector “got what it deserved,” but businesses reacted by considering everything to be a tradeoff, i.e., *cost of compliance* vs. the *cost of litigation*. Corporations were lined up on one side, with non-governmental organizations (NGOs) and government on the other.

The Japanese Quality Movement disproved the tradeoff between cost and quality.

In the U.S., many companies then spent the 1980’s trying to undo the regulatory web. One of the factors that pushed U.S. corporations to reconsider their position was the Japanese Quality Movement, which basically disproved the tradeoff between cost and quality. At the same time, on the other side of the Atlantic, companies such as Shell Oil were being pushed by their stakeholders to engage in a dialog about sustainability, with a concentration at that time (of course) on the environment. At this point, though, companies were still focused on their own sectors and their own reputations.

Could the planet survive millions of gas-guzzling SUVs on the roads in China?

By the mid-90’s, the *sustainability movement*, which consisted of NGOs and a few corporations, realized that it wasn’t as much about the developed world, as it was about the developing world. To put it crassly, people were seriously beginning to question whether our planet could survive the majority of Chinese driving gas-guzzling SUVs (sport utility vehicles), while billions of people barely had enough food to survive.

There had to be more to the solution than conservation in the developed world and foreign aid to the developing world. It was becoming exceedingly clear that philanthropy alone was not the answer—all people want to survive on their own without handouts. And with a good part of aid over the last forty years having simply disappeared into the pockets of the first-tier elites in many countries, we had to create a better model.

The failure was due to private enterprise targeting the elites in local markets.

Then in 1998, C.K. Prahalad asked me to review the draft of an article for the *Harvard Business Review* entitled, ‘The End of Corporate Imperialism,’ that he was writing with Kenneth Lieberthal. The article discussed how companies were often failing when they entered India and China, even though the market potential was huge. I realized that this draft was missing the key factor that was causing this failure, i.e., private enterprise was still applying the outdated strategy of targeting only the elites in local markets, even as they tried to reach new, huge markets closer to the base of the pyramid. No one was really trying to understand (or even acknowledge, for that matter), the billions of people whose needs had never been met.

How could the “other four billion people” be reached? Enter *sustainable global enterprise*, which seeks to be a nexus for private corporations, NGOs, governments, academics and (most important) the four billion people themselves to come together to work out solutions. And that’s exactly what we’re in the process of doing.

Editor’s Note: For more details on sustainable global enterprise, check out Hart’s new book, Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World’s Most Difficult Problems, recently released by Wharton School Publishing.

LISA: How did you become involved in all of this?

Hart: It has been a 30-year evolution for me, starting in the 1970's while I was at the School of Forestry and Environmental Studies at Yale. I was definitely a "card-carrying Green" at that point, though that label had not yet been invented. I considered "The Corporation" to be "The Enemy" and pursued my career accordingly, working in the NGO world.

Why do organizations do things that are not "in their best interests?"

However, it became increasingly more apparent to me that our strategies weren't workable in the long-term. I went back and earned a Ph.D. in Strategy and Policy so that I could figure out for myself why organizations do what they do, even when it appears to be "dumb" and/or "destructive," i.e., not "in their best interests."

And that's when I began to formulate the ideas that would eventually turn into inclusive capitalism or sustainable global enterprise. For the last fifteen years, it has been an all-consuming passion for me. The first place where I articulated this concept publicly, was in my article entitled "Beyond Greening: Strategies for a Sustainable World," which appeared in early 1997 in *Harvard Business Review*. The article struck a definite cord with readers in the corporate world and won the McKinsey Award for Best Article that year.

There is an enormous challenge beyond greening—the challenge to develop a sustainable global economy.

The premise of my article was extremely simple: there is an enormous challenge beyond greening – the challenge to develop a *sustainable global economy*, i.e., *an economy that the planet, with all of its living species, is capable of supporting indefinitely.*

And what I wrote in 1997 is still relevant today:

"Although we may be approaching ecological recovery in the developed world, the planet as a whole remains on an unsustainable course. Those who think that sustainability is only a matter of pollution control are missing the bigger picture. Even if all the companies in the developed world were to achieve zero emissions by the year 2000, the earth would still be stressed beyond what biologists refer to as its carrying capacity. Increasingly... depleted farmland, fisheries, and forests; choking urban pollution; poverty; infectious diseases; and migration are spilling over geopolitical borders. The simple fact is this: in meeting our needs, we are destroying the ability of future generations to meet theirs."

To express it in more graphic terms: women and children now spend on average four to six hours per day searching for fuel wood and four to six hours per week drawing and carrying water.

LISA: How can you change a system which benefits almost a billion people, which appears to be in their best interests, and which is supported by their elites?

Global capitalism is at a crossroads.

Hart: That's the key – people in the developed world are beginning to realize that, even for them (and especially for their descendents), the current model runs contrary to their interests. At the same time, corporations are the only organizations with the resources, the technology, the global reach, and ultimately the motivation, to achieve sustainability.

Global capitalism is at a crossroads, with private enterprise under increasing pressure to fuse social mission with competitive strategy in order to be successful on a global scale. The achievement of sustainability will mean billions of dollars in products, services and technologies that barely exist today. Whereas yesterday's businesses were often oblivious to their negative impact on the environment, and today's businesses strive for zero impact, tomorrow's businesses must learn to make a positive impact. Increasingly, companies will be selling solutions to the world's problems.

The recent tsunami in South Asia provides an incredible opportunity for sustainable global enterprise.

A very timely example is the recent tsunami in South Asia, affecting millions of people and hundreds and hundreds of businesses. Instead of this simply becoming the biggest disaster relief project in history, it should be viewed as an incredible opportunity to apply the BOP principles to enable this region to become self-sufficient. Consider, for example, the commercialization of clean energy sources – a disruptive technology in the West because of its current infrastructure, but the opportunity of a lifetime for South Asia to replace its candles and kerosene lamps and to create many jobs at the same time.

Editor's Note: You can hear Stuart Hart provide more details on this idea in Defining Relief on National Public Radio's "Marketplace Report" (<http://marketplace.publicradio.org/shows/2005/01/21/PM200501215.html>)

LISA: *This is all fine and good, but won't it take the majority of companies a fairly long time to arrive at this conclusion? Won't it be too late by then?*

The Base of the Pyramid Learning Laboratory has become the nexus for all players in sustainable development.

Hart: Not nearly as long as your readers may think. There has been a lot of coverage in the business press recently about larger companies being "growth-challenged." What markets now offer the most chance for growth? The exact regions and groups that both sustainable development and global enterprises are targeting.

To bring all of the players together, we created the **Base of the Pyramid Learning Laboratory** (<http://www.johnson.cornell.edu/sge/boplabor.html>) in 2000 at the University of North Carolina (it is in the process right now of moving to Cornell University here in Ithaca, New York). The Laboratory has very rapidly become the nexus for players from the corporate world, from the NGOs, from governments and, of course, from academia, who are committed to sustainable global enterprise and the totally disruptive change required on the part of business to make it work. Its mission is to facilitate technological and business model innovation at the base of the pyramid that will translate into culturally appropriate and ecologically effective opportunities for value creation.

Through the BOP Learning Laboratory, the old “division of labor,” with corporations on one side and NGOs on the other, is breaking down. Corporations realize that it really does make good business sense to pursue strategies for a sustainable world, and NGOs now understand that they will never come close to reaching their goals unless they can somehow harness the economic engine provided by private enterprise.

At the same time, through the participation of business schools around the world, we are influencing the education and preparation of the next generation of business leaders who will be required to tackle these challenges head-on, whether they like it or not.

LISA: Can you point to any success stories in sustainable development on the part of corporations?

Targeting the base of the pyramid will require a fundamental re-conception of the business value proposition.

Hart: Obviously, we’re still in the early stages, with corporations grappling with how to enter what are quite different markets for them. They must address substantial challenges in economic and technical infrastructure, education, financial resources and cultural differences. Initiatives targeting the base of the pyramid will require a fundamental re-conception of the business value proposition and an intimate understanding of local needs and human development paradigms.

This being said, there are several success stories already. In an article written by Professor C.K. Prahalad and myself at the beginning of 2002, *The Fortune at the Bottom of the Pyramid* (this downloads a PDF file), we share experiences from Unilever in India, the Grameen Bank in Bangladesh, Standard Bank of South Africa, the Solar Electric Light Fund (SELF) in Asia and Africa, and Arvind Mills in India, among several. I should also point out that this article was the first articulation of how business could profitably serve the needs of the four billion people at the bottom of the economic pyramid.

LISA: Who are the current players in this movement?

Hart: BOP Learning Laboratory Members include Coca-Cola, Danone, DuPont, Hewlett-Packard, KX Industries, Nokia, Procter & Gamble, Rolltronics, SC Johnson and Tetra Pak . NGOs include the Grameen Foundation, International Finance Corp., the Mountain Institute, the Overseas Private Investment Corp., the Rainforest Alliance, Self-Help Ventures, SELF (Solar Electric Light Fund), the Tata Energy and Resources Institute, the World Bank and the World Resources Institute. Academic institutions include Cornell University, the University of Michigan, and the University of North Carolina.

The National Science Foundation in the U.S. has also funded a project to monitor the progress of fourteen multinational corporations’ Base of the Pyramid initiatives.

LISA: Are there any plans to replicate the BOP Learning Laboratory worldwide?

Hart: Yes, but to ensure that we “walk the talk” (corporate message), “practice what we preach” (NGO/local community message) and “are true to our rhetoric” (academic message), the BOP must be native. Therefore, prior to a BOP opening its doors anywhere, there must be local companies, local NGOs and local academic institutions on board. Once it’s rooted, then it’s time for the subsidiaries of larger multinationals to join in the collaboration.

Currently, there are about a half dozen partner labs that are either up and running or in the process of doing so. These are all in conjunction with universities in Brazil, China, Mexico, India, South Africa and Spain.

LISA: *How will you reach people in their local communities?*

Marketing 101 meets Applied Anthropology and Linguistics.

Hart: That’s the critical question. The key to our success will be to agree to a process to reach local communities in order to hear the “real voice” of people who, believe it or not, may have access to cell phones, but not to television. In the West, we tend to forget that half of humanity has yet to make its first phonecall.

Obviously, traditional consumer research methods used in the West are simply useless here – and potentially dangerous – due to their extractive nature. They are dangerous in the sense that traditional methods will lead us to hear only the elites (once again) – only this time, they will be at the base of the pyramid. The point is to hear directly from the people themselves.

This is where Marketing 101 meets Applied Anthropology and Linguistics. Who already knows how to reach the groups of people whose voices all of us need to hear? Anthropologists, NGOs, community organizers, linguists, etc. Again, The BOP Learning Laboratory was designed to make possible precisely this type of cross-cultural communication and problem solving between all instigators of change.

LISA: *What role does language play in sustainable development?*

Additional Resources on Inclusive Capitalism

1. Stuart Hart, “Beyond Greening: Strategies for a Sustainable World” (*Harvard Business Review*, January/February 1997)
2. C.K. Prahalad and Stuart Hart, “The Fortune at the Bottom of the Pyramid” (*Strategy+Business* 26, Q1 2002)
<http://www.strategy-business.com/registration>
(Requires registration)
or
<http://www.cs.berkeley.edu/~brewer/ict4b/Fortune-BoP.pdf>
(Downloads a PDF file)
3. Stuart Hart, *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World’s Most Difficult Problems* (Wharton School Publishing, 2005)
4. C.K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (Wharton School Publishing, 2004)
5. Arle Lommel, “Localization²: Selling the 21st Century Across the Divide” (*Globalization Insider*, December 2004)
6. Amartya Sen, *Development as Freedom* (Alfred A. Knopf, 1999)
7. Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (Basic Books, 2000)
8. SustainAbility, *Developing Value: The Business Case for Sustainability in Emerging Markets*.

Language is a huge issue and extremely critical on a number of levels.

Hart: Communicating our message is a two-way street (or path!), with perhaps three to four dimensions.

First of all, there are several stakeholders in this paradigm change – all of whom come to the table with differing goals and world perspectives. As we work to communicate the message and the benefits clearly, we must generate language that is consumable in the business world. Yet, at the same time, we cannot risk losing the all-important support of the local communities, the public sector and the NGOs. We must strike a measured balance with all of our arguments in order not to tip too far to one side or the other.

Once this has been accomplished, we must ensure that the message is communicated effectively on a global scale, many times in lesser-known languages, since those represent precisely the communities that we are trying to reach and engage in this process so that we really can affect a huge paradigm change.

In other words, communicating our message is a two-way street (or path!), with perhaps three to four dimensions. There is a large cross-cultural component at a minimum of two levels. The first is at the level between private enterprise, NGOs and academia, since these groups are still learning to communicate and work effectively together. On top of that is the local community, each with its unique language and culture.

**The new generation of business leaders will have
no choice but to confront these challenges.**

All players are critical to the process, and we need buy-in along the way from all of them to be successful. Multinational corporations are essential because they are the only truly global organizations with the resources and the need. NGOs are essential because they can provide access to the “real voice” of the people whom we are trying to reach at the level of the local community. And universities are key because they serve as the bridge between the first two groups, and because they are responsible for educating the new generation of leaders who will have no choice but to confront these challenges.

Let me give your readers a very concrete example of how all of these divergent disciplines and viewpoints can come together and generate a whole, which is much greater than the sum of its parts. In October last year, we ran a three-day workshop in which about 35 people, representing all of the stakeholders that I have described, got together and actually agreed to a process to reach the base of the pyramid to hear the “real voice” of the potential consumers involved, along with the opinions of the companies that might be able to design, sell and support products to meet the needs described.

And did the sparks fly! Anthropologists and business people alike were commenting that this workshop was the first opportunity that they had ever had to work in an interactive environment with one another. But at the end of the three days, not only did we adopt a process that we agreed to test, but every single person also wanted to sign the document and participate. Proof that the necessary trust had been created among people with very differing viewpoints, but who now wanted to work together to affect real change in the world.

The first draft of the Base of the Pyramid Protocol (the document that was born during the workshop) is now available in the public domain. It is a living document, and the protocol will be tested by SC Johnson and ApproTEC, an NGO, in Kenya this summer. Results of the test will be presented this October, and the Protocol will be updated accordingly.

LISA: How do you see the role of English (in its international form) as lingua franca changing over the next decade?

English is only the lingua franca of the elite.

Hart: There are pluses and minuses to English serving as the world's lingua franca, and they would apply to any language thrust into that role. On the plus side, being able to communicate in one language means that we can conduct networked, worldwide conversations as we work together to affect change, without having to lose time constantly translating every single idea and document.

At the same time, we must not lose sight of the fact that English, currently, is only the global language of the elite. At a certain point, English becomes limiting since the innovation engine is coming from rural communities, squatter communities, tribal groups, etc., where people don't use English to communicate.

LISA: How do you see multilingual communication evolving over the next decade?

Hart: Most of us will need to flip our perspective to understand what it means to have the engine for innovation at the base, rather than at the top, of our model. Our challenge in sustainable global enterprise therefore becomes how to leverage this richness. What will be the most effective ways to move these ideas around that are originally generated in many different (and often much lesser-known) languages and from varying cultural viewpoints?

There is definitely a new generation of potential leaders emerging that operates with a globalist view.

LISA: How can LISA Members support sustainable global enterprise and help create an environment in which it will thrive?

At a number of different levels. At the corporate level, LISA Members may wish to participate in the BOP Learning Laboratory. Small- to medium-enterprises focused on the BOP are also welcome, especially locally-based companies in the developing world.

You're the experts in cross-cultural and multilingual communication, so perhaps this is where LISA Members can join us in some form of collaboration. We're always open to ideas.

LISA: Has it been a hard sell to business school students to broaden their perspective of what capitalism could be?

Hart: Not at all. There is definitely a new generation of potential leaders emerging that operates with a globalist view. Most U.S. students who enter business school nowadays have traveled outside of the U.S. And there are more and more non-U.S. students attending U.S. business school programs. At Cornell, for example, one-third of our business school students come from outside of the U.S. This is often the case for the business schools in Europe as well.



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