BUSINESS SCHOOLS FOR IMPACT

Teaching skills to build Base of the Pyramid businesses

How business schools can do more to prepare and encourage future managers and entrepreneurs to venture beyond mature markets into low-income economies

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Note

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The aim of this booklet is to explain how business schools can contribute to sustainable development in the poorest areas in the world by changing the **mindset** of business graduates and teaching the **skills** required to invest and operate in low-income environments with positive social impact.

CONTENTS

Why we need to teach young business talent about low-income economies

Current business models fail the poor...

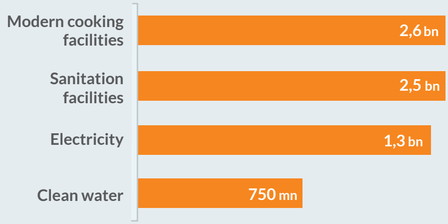
Poor countries remain poor often because they lack the basic infrastructure that would allow their economies to grow. From physical infrastructure (roads, ports, rail) to basic infrastructure industries (water, power, telecommunications) to soft infrastructure (health, education), they lack the investment needed to take off. Public sector finances in low-income countries cannot begin to cover investment needs, international aid budgets are insufficient and under pressure, so private sector investment, especially international investment, needs to step up to the plate. Currently, only a fraction of the worldwide assets of banks, pension funds, insurers, foundations and endowments, and multinational firms, is in critical sustainable development sectors, and even less so in the poorest developing countries (least developed countries, or LDCs). *Current business models fail the poor as a long-term investment.*

People at the 'Base of the Pyramid' (BoP) – the large segments of the world population at the bottom of the income scale – are an underserved market. Many lack access to clean water, sanitation, power or adequate cooking facilities. Many more cannot readily obtain basic healthcare services or quality education for their children. Excluded from markets the poor have to find alternatives. They tend to resort to expensive substitutes to meet their basic needs. They effectively pay a penalty for being poor. *Current business models fail the poor as consumers.*

Estimated annual investment gaps in developing countries in sectors critical for the poor

UNCTAD World Investiment Report 2014

Population lacking access to...

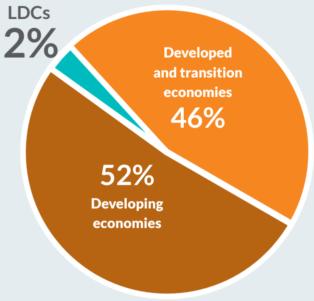


WHO, 2012, IEA, 2013

The growth of investment by multinational firms in developing countries over the last decade has been phenomenal. In search of new markets, resources and lower labor costs, investment in the developing world soared from less than 20% of the total in 2000 to more than 50% today, creating jobs and opportunities for local firms as suppliers and partners to international firms.

However, most of this investment has gone to middle-income emerging markets. Investment in LDCs remains only a fraction of the total, at less than 2%. And a significant part of that investment is in large-scale resource-based projects that create relatively few jobs and linkages with local firms. *Current business models fail the poor as workers and partners.*

Where do investment flows go?



UNCTAD World Investiment Report 2014

Investment needs in poor countries: the SDGs

The international community is currently defining a post-2015 development agenda and a set of sustainable development goals (SDGs) intended to galvanize action worldwide on poverty reduction, food security, human health and education and a range of other economic, social and environmental objectives. The SDGs will have significant resource implications in the developing world.

In particular, in LDCs, where investment needs are most acute and where financing capacity is lowest, about twice the current growth rate of private investment is needed to give it a meaningful complementary financing role next to public investment and development assistance.

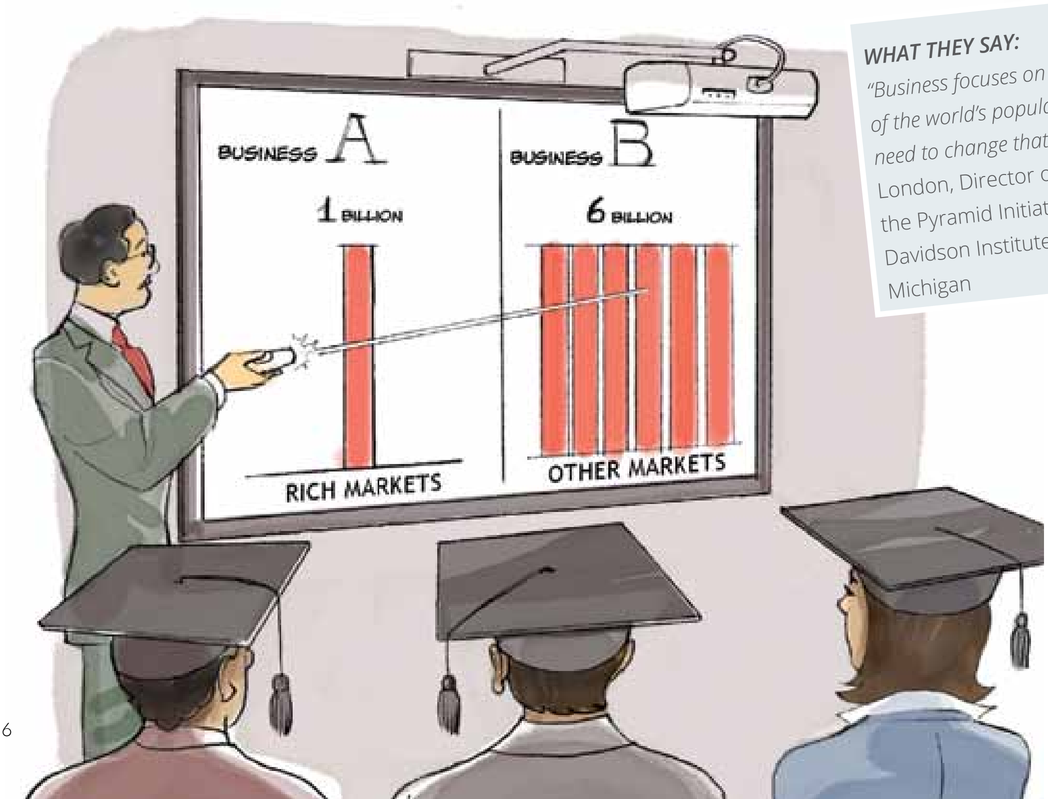
Increasing investment in the poorest countries requires a change in global business mindsets, starting from the foundation: management education.

World Investment Report 2014 – Investing in the SDGs: an Action Plan

Among the root causes: business education...

The majority of managers in the world's financial institutions and large multinational firms – the main sources of global investment – as well as most successful entrepreneurs tend to be strongly influenced by models of business, management and investment that are commonly taught in business schools. Such models tend to focus on business and investment opportunities in mature or emerging markets, with the risk-return profiles associated with those markets; they tend to ignore opportunities outside these parameters. These models also tend to be driven exclusively by calculations of economic risks and returns, often ignoring broader social and environmental impacts, both positive and negative. Lack of consideration in standard business school teachings of the challenges associated with operating in underdeveloped regions, and the resulting need for innovative problem solving, tend to leave managers ill-prepared for impactful investment in low-income countries.

WHAT THEY SAY:
"Business focuses on a small part of the world's population. We need to change that mindset." Ted London, Director of the Base of the Pyramid Initiative, William Davidson Institute, University of Michigan



BUSINESS MODELS FAIL THE POOR...	UNCTAD'S MISSION	BUSINESS SCHOOLS?
... as a long-term investment	Promote responsible investment **in the most vulnerable economies** and regions, **in sectors critical for sustainable development**.	The vast majority of business school graduates look for jobs in consulting or banking rather than sustainable development-related or social impact sectors. Also, the vast majority looks for opportunity in the richest countries or in fast growing emerging markets; almost half of graduates from business schools in Africa aim to leave the region. Even the majority of students who ARE interested in social entrepreneurship end up starting projects in middle- to high-income countries!
... as consumers	Promote responsible investment in products and services **accessible and affordable to the poor**.	Marketing classes in business programmes teach the skills to sell to 1 billion people. What about reaching the other 6 billion?
... as workers and partners	Promote responsible investment in projects that create **employment and opportunities** for small businesses in the poorest areas.	Management classes tend to prepare students for large complex organizations and do not teach the skills to work with small informal businesses, the bulk of poor countries' economies!

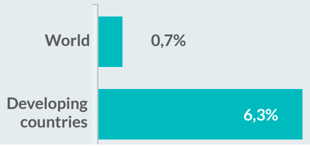
What's in it for business school students and graduates?

Graduates need jobs. Or entrepreneurial drive

The need for managerial talent in poor countries is huge, both in the private and public sectors.

In the private sector, although overall investment in the poorest countries is still low, multinational companies, from infrastructure to consumer industries, are expanding their presence there. Foreign direct investment in the least developed countries is growing twice as fast as investment in developing countries as a whole.

International direct investment growth rates, 2010-2013



Managers in multinationals entering these markets are finding that it takes more than the standard fare of business knowledge to succeed, as testified by SAB Miller Africa senior executive, Eric Leong:

WHAT THEY SAY:

"Setting up a division in Africa has many challenges that often take the most savvy of business graduates by surprise with potential compromising setbacks. The candid reality today is that most business schools don't cater much for skills often needed to tackle a tough business climate like Africa. Now when I look for young people to join the business, I look for entrepreneurial experience,