

Case description of NFBi's mini project:

Userdriven Innovation with the Base of the Pyramid

The *Base of the Pyramid* (BoP) is the socio-economic term for the approximately four billion people across the globe who live on less than four dollars a day. The term is also used by an increasing number of players in the corporate world, the development sector and the research environment who are driven by the same objective: to develop products, services and business models that improve the living conditions of poor people. The questions are: What is the difference between userdriven innovation in industrialised countries and in developing countries, and how to work with userdriven innovation together with the Base of the Pyramid?

Background

Research and practice in userdriven innovation has primarily been focused on customers and users in the industrialised world, whereas poor people at the base of the economy have been outside the radar screen as potential customers and users. However, the BoP constitutes a new target group as there is a huge need for products that fulfil basic needs such as clean water, means of communication, housing, medicine and food. So even though the spending power of each family is limited, the overall market potential is substantial.

People at the BoP live under very different conditions and in very different social and cultural contexts. In order to create successful and sustainable solutions, it is highly necessary to acquire thorough knowledge of their lifeworlds and environments and to involve them in developing new business models to which they feel committed.

This is what we have been working with in this project. We see a large potential in developing the growing knowledge base on userdriven innovation methods - both to create new markets for businesses and not least to create sustainable social and economic growth in a global perspective.

Objectives

The objectives of the project were:

1. To map the existing knowledge field of user involvement in BoP innovation.
2. To identify the challenges and opportunities of businesses in relation to user insight and user involvement in BoP innovation projects.
3. To outline a set of methods for userdriven innovation with BoP.

The primary activities of the project were:

1. Desk research to identify key publications and players.
2. Interviews with practitioners and researchers and participation in conferences.
3. Action research in case project with Danisco A/S.

Facts about the project

Project participants:

- Project owner: Mads Clausen Institute, University of Southern Denmark. Project manager: Louise Koch, anthropologist and business innovator. Project supervisor: Professor Jacob Buur.
- Project responsible at Danisco A/S: Senior Manager Flemming Vang Sparsø.
- Project responsible at NFBi: Astrid Søndergaard.
- Other project participants: BoP Learning Lab at Di, innovation managers at Unilever and SC Johnson, innovation managers at Novo Nordisk and Grundfos, BoP Facility at the Danish Ministry of Foreign Affairs, BoP Learning Lab Network, researchers at Cornell University, Cambridge University, Technological University of Delft, Cambridge University, University of Copenhagen, and Copenhagen Business School.
- Furthermore, the project has been in contact with a number of experts, partners, NGO's, users etc. in India.
- The project was carried out from 1st November 2008 to 1st April 2009.

Relevant links

- Mads Clausen Institute, SPIRE: www.sdu.dk/mci
- Danisco A/S: www.danisco.com
- BOP INNOVATION: www.bop-innovation.com
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Field study at local markets where distribution and value chains are complex and most often in the informal sector. The mobile phone is constantly in use.

Partners

The project was developed and carried out in cooperation between NFBi, SPIRE - Research Centre for Participatory Innovation at the University of Southern Denmark, and Danisco A/S.

SPIRE was responsible for the project with anthropologist and business innovator Louise Koch as project manager and researcher, and professor Jacob Buur as supervisor. Danisco A/S, represented by senior manager Flemming Vang Sparsø, contributed a case. NFBi funded the project. Furthermore, a number of companies, organisations and universities contributed interviews.

Results

The overall results of the project are communicated in the following material: Case Description of the project; Guidelines for People-Centred Innovation with BOP; Reading List, and BoP Overview Mindmap. Furthermore, the project will form the basis of articles and presentations. The material can be found at www.bop-innovation.com under *Inspiration*.

Highlights of project results:

1. BoP knowledge field

The project has identified and described central publications within BoP in general, along with practical methods and guidelines with a more or less user-oriented perspective. In addition, key players and knowledge institutions have been mapped.

2. Opportunities and challenges for businesses

Based on the case project, interviews with key players, case studies and literature studies, the project has identified opportunities and challenges within a number of areas:

Opportunities within BoP for businesses in general:

- A market with many needs and limited competition.
- New markets and business models can be developed.
- Positive effects in the organisation and in stakeholder relations.
- Opportunities for funding of start-up activities.

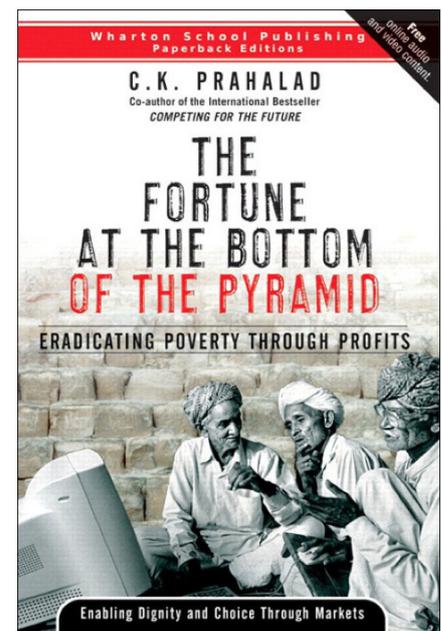
Challenges in userdriven innovation with BOP:

Doing innovation and sustainable business with the BoP is far from *business as usual*. The challenges can be summarised into three main categories:

- *Mindset, strategy and competences of the organisation*
The corporate identity and mindset may constitute a barrier; Western business logics and technology understanding are inadequate; the project must be strategically anchored; competences within cultural understanding and userdriven innovation are imperative.
- *User insight into the lifeworld, culture and context of the BoP*
Practical and logistical challenges; hard to acquire reliable information about local conditions; quick solutions to obtain user insight are not sufficient; the project must be anchored in the local context; important to understand the broader context and ecosystems; often no market exists.
- *Partnerships and business models*
Businesses need to establish cross-sector partnerships; the business model should have both local anchoring and global potential; business models must be rethought.

Methods applied

- Genealogical analysis
- Semistructured interview
- Mindmap
- Context mapping
- Value chain mapping
- Ecosystem mapping
- Participant observation
- Ethnografic video
- Photo documentation
- Post-it mapping
- Online collaboration space
- Grafic visualisation
- Theory U
- Preject innovation



The book that kick-started the field in 2004.

3. Outline of methodology for BoP innovation

The existing methodological approaches to innovation with BoP are either very local and on-the-ground, such as Cornell University's BOP Protocol, or very generic such as UNDP's Strategy Matrix. The participatory innovation framework that SPIRE works with has the potential to fill this gap.

Compared to a 'regular' userdriven innovation process in a western context, we have identified a number of differences and challenges in BoP.

They can be summarised into four categories:

- *Differences that make a difference*
A significant factor to consider is the large distance between businesses and users – both geographically, socially, culturally and mentally. It is therefore necessary to mediate this difference through cultural intelligence, visual process design and partnerships.
- *From interface to ecosystem*
Looking at interface and user situations is not enough. The entire socio-cultural context and the wider ecosystem have to be taken into account when developing solutions and business models. This is often taken for granted in a western context where culture and ecosystems are (presumed) well known.
- *From market entry to market creation*
There exists no market with consumers, value perceptions, distribution systems etc. Therefore, value perceptions, consumer patterns and market systems have to be created - in close cooperation with local partners and communities.
- *Innovation for bottom line and a better world*
In order for BoP innovation to be successful, it is of paramount importance that it also creates socio-economic value in the local community. This sets new standards for user involvement and value creation in innovation. Businesses must think sustainability for the sake of both *people, planet & profit*.

Based on these differences - that we have only touched upon generally here - we have outlined a methodological framework which supplements participatory innovation with methods and insights from the fields of participatory development, open innovation, anthropological theory, cultural intelligence and sustainable design.

4. Result of case project

In the case project with Danisco, Louise Koch and the project team implemented the initial phases of the innovation project where needs and opportunities for BoP innovation were identified and translated into innovation horizons, and a business concept was outlined.

Project phases: Knowledge mapping and BoP innovation

Knowledge mapping

The existing knowledge field and players within BoP were identified through network mapping, literature search and participation in conferences. To get an idea about the potential of other methodological fields, we also conducted a literature search of design anthropology, participatory design in developing countries, methods from participatory development and open innovation.

The Base of the Pyramid Protocol: Toward Next Generation BoP Strategy



The Base of the Pyramid Protocol is based on *on-the-ground co-creation* with local communities.



Mapping of value chains and ecosystems in the formal and informal sectors.



Research workshop at SPIRE with presentations of the scientific work and mapping of perspectives.

To add more perspective to the experience gained in the case project, a number of interviews were conducted with researchers and practitioners from universities, businesses and other national and international organisations (see list of other contributors). As part of the project NFBi and SPIRE organised a workshop on userdriven innovation with BoP with the participation of researchers and PhD students from SPIRE and Aalborg University.

Case project: Innovation with Base of the Pyramid in Danisco

The practical knowledge development took place within the framework of the case project with Danisco. Louise Koch was part-time consultant in the project team for a duration of five months at the same time as she conducted participant observations and research on the project.

The methodology of the project was to take a userdriven approach supplemented with theory and methods from Preject Innovation and Otto Scharmer's Theroy-U. From the beginning we focused on value chains as the subject for innovation. However, it soon became obvious that it did not make sense to talk about value chains: The discussions should rather focus on value networks or ecosystems in a broader sense.

Overall phases of the innovation process:

Preparation and launch

Establishment of online project space involving af team from the Indian subsidiary; desk research into India in general and into the agricultural and food sector in particular; planning of explorative journey.

Explorative journey

Explorative journey to India with a duration of two weeks. Talks with various individuals and experts; mapping of value chains in the formal and informal sectors; participation in conferences; field studies with observations and interviews at local markets, food manufacturers and in villages.

Sense-making and innovation horizons

Condensing of inputs, knowledge and ideas in a 'field report' of the journey; preparation of mind maps to get an overview of the different needs and opportunities that arose during the studies; compilation of insights and opportunities into three innovation horizons defining the overall vision: "Ingredients for a Better Future".

Internal presentation and evaluation

Presentation of insights, innovation horizons, synergies and further action to the steering committee. This phase took place concurrently with the aggravation of the financial crisis that put the corporate world under pressure. The steering committee therefore decided to close down the project before the end of the 6-months pilot phase.

(Insight, Interaction and Co-creation Journey)

The original plan was a longer in-depth journey to India with field studies, talks with potential partners, field studies in villages, on markets etc. and not least co-creation workshops with groups of stakeholders from different organisations, villages etc.

(Concept Development)

The last part of the exercise was to develop concepts and business plans which could subsequently be applied in a more thorough innovation and implementation process, knowing full well that the process would be iterative and more complex than conventional innovation projects in the established markets.

Ecosystem mapping...

Follow the milk!



From cow to refrigerated counter... with many needs and opportunities for innovation on the way. But note: only 10 percent of the milk gets to the refrigerated counter!

Project outcome

Practical outcome

During the first four months of the case project anthropologist and business innovator Louise Koch contributed to organising and implementing the *preject* phase of the innovation project in cooperation with project manager Flemming Vang Sparsø. As the case project was terminated before the end of the 6-months pilot phase, it was, however, not possible to complete the planned second iteration with deeper field studies and workshops with stakeholders, which should have resulted in a business concept for BoP.

The most important learnings from the case projects is that innovation with BoP to a great extent must be based on cooperation and alliances with other businesses and organisations to become part of the local 'ecosystem'. Furthermore, businesses must either enter an existing market or become involved in a longer and deeper market creation process by establishing a new 'ecosystem' of socio-cultural value systems and economic relations.

Furthermore, it is important to emphasise - which is also pointed out by Flemming Vang Sparsø - that innovation with BoP often challenges an organisation's self-understanding and perception of its own business and customers. The cultural and mental barriers that must be overcome do not just lie outside the organisation but also to a great extent inside the organisation itself. This is also the experience from a number of other BoP projects.

Research outcome

This project has first and foremost created the basis for a constructive linkage between the knowledge and practice fields related to userdriven innovation and BoP.

During the project we changed the formulation from userdriven innovation to *people centred innovation* to embrace a wider and deeper understanding of people's lifeworlds than what is covered by the term 'user'. In BoP innovation, however, it is also important to be aware of the wider context of socio-cultural and economic systems and ensure local anchoring and development. One of the pivotal points of this project is therefore that BoP requires a people centred and participatory innovation approach in close cooperation between business, local communities and other organisations across sectors. Thus we build on the foundation that the SPIRE Centre is working with, and at the same time the BoP field opens new perspectives and insights into userdriven innovation that can also enrich practice in a western context.

The project creates a platform for further development of knowledge, methods and practice relating to participatory and people centred innovation with BoP. Our intention is to contribute to dialogue and knowledge sharing in the growing international field of BoP innovation where a constructive collaboration between research and practice is particularly valuable as it can contribute to the improvement of the living conditions of such a substantial number of people around the world.

We invite all those interested to join us in this endeavour.

Please visit www.bop-innovation.com for more information and ongoing development of the work. We welcome all contributions.



Visualisation of innovation horizons.



The creation of sustainable development in poor communities calls for more than just business.



Unilever's Shakti programme has created more than 30,000 women micro entrepreneurs in India - however, the triple bottom line can be better balanced.

NFBi's collection of case descriptions

The NFBi secretariat publishes a series of concise case descriptions on mini projects and innovation projects where userdriven working methods have been applied.

Read more at www.nfbi.dk or contact the network secretariat:

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