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Serving the Needs of the Poor—For Profit

The world was shocked and saddened by the tragic events of September 11, 2001. Many individuals asked the same question: What can I do to help? There were few good answers, and none was sufficient to fully overcome our collective sense of frustration and powerlessness. Blood was given. Funds donated. Thoughtful messages broadcast and published.

Gradually, we must redirect our energies from immediate recovery to long-term prevention of terrorism. Of course, no single cause can be isolated and eliminated. Progress, and perhaps eventual success, will require the coordinated efforts of multiple nations through diplomacy, policy, and force.

What role, if any, will the business community play in this cooperative effort? Unfortunately, for many businesses, the lack of options is as dissatisfying as it is for individuals. For the top executives of the world's largest, most global companies, however, there is indeed a role, if not a responsibility.

This role must be narrowly defined, however. A difficulty for many senior executives of global corporations is accepting the limited power of their positions—even over the internal affairs of their own companies. Scarce resources will be wasted if corporations overextend their efforts into the proper realm of governments.

Without diminishing charitable direct assistance in a time of substantial public need, CEOs of global corporations should focus their greatest energies where they can have the greatest impact. They should focus on creating economic growth. We can be certain that poverty and inequality contribute to conflict. We can be certain that world prosperity is a necessary precondition for world peace.

Global corporations can and do play a critical role in the development of impoverished nations, by dramatically accelerating the accumulation of capital, knowledge, and technology upon which economic development depends. But the full potential of these companies is far from realized, and this will not change without a fundamental shift in how senior executives view opportunities present in the "rest of the world."

Do other countries simply represent cheaper raw materials and labor? No. Do they offer only an unexploited market for existing products? No. (To think otherwise results in serving only the richest of the rich in poorer nations.) The opportunities, in fact, are much greater because many of the tremendous demands of the poor remain unfulfilled. The

COMING SOON:
This year, the Center for Global Leadership was a strategic partner with *Business Week* in producing their annual CEO Forum, held in Hong Kong. An Executive Briefing will be published in early December, which will offer insight, interpretation, and commentary on the proceedings of the Forum.

"rest of the world" can and should be viewed as a giant entrepreneurial opportunity. By creatively developing innovative products and services and developing the distinct operating practices necessitated by third-world business environments, global corporations can accelerate both their own growth and the growth of emerging economies. But how many are actually doing so?

One such company is Hindustan Lever, an Indian subsidiary of Unilever, profiled recently in *Fast Company*. Observing that many large companies simply diluted formulas to make less expensive products, Hindustan Lever perceived a clear opportunity for innovation and made a substantial commitment to R&D. This resulted in completely new products that are both affordable and uniquely suited to India's rural poor, including a high-quality combination soap and shampoo. Hindustan Lever also developed successful new sales and marketing tactics to reach remote and highly dispersed populations, and demonstrated that even the poor are responsive to branding.

The challenges of incubating and growing such startup ventures within the context of global corporations are significant and complex. Aspiring intrapreneurs in developing nations can face dozens of frustrating barriers. There may be no process in place for open evaluation of ideas for new ventures. There may be difficulty in getting funding because of overwhelming pressure from financial markets to meet short-term profitability targets. There may be resistance from executives in existing lines of business who feel threatened by a new startup. CEOs who focus on removing these barriers make a contribution to far more than just the bottom line. ■

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