

{Thought in Action} faculty research



Moving Beyond the Moving Anecdote

Ted London Measures True Impact of Ventures at the Base of the Pyramid

VISIONSPRING has used the Base of the Pyramid Impact Assessment Framework to help artisans, like master weaver Masaiah (left), improve their eyesight and preserve their livelihood.

For years, groups working on poverty-fighting ventures have used stories, anecdotes, and milestone markers to highlight their work and secure funding.

Unfortunately, these elements don't actually measure the effectiveness of an organization's effort. Nor do they showcase any unintended consequences, long-term changes, or missed opportunities. But Ross professor **Ted London**, after several years of field research, has developed the Base of the Pyramid Impact Assessment Framework, which organizations now can use to better assess the true impact of their work.

London's framework appeared in the May 2009 edition of the *Harvard Business Review* and is in use by nonprofit and corporate partners in Asia, Latin America, and Africa.

"We sometimes haven't taken good business sense and applied it to the poverty alleviation domain," says London, senior research fellow and director of the Base of the Pyramid (BOP) Initiative at the William Davidson Institute. He also serves as an adjunct assistant professor of business administration at Ross. BOP is a term that refers to people at the bottom of the global socioeconomic structure.

"What you mostly see," London says, "are a lot of anecdotes

and output-based measures. But they don't really tell us much about the local poverty alleviation impact. In general, ventures are overestimating the good they're doing and underreporting, or not reporting, the negatives. I think it's completely inappropriate to not have a full accounting of what's going on."

The impact assessment tool was designed to be straightforward and simple to use. "We believe this framework can become a standard that a wide variety of organizations will use to benchmark their work over time," London says.

But his system is not an audited look back with "over-the-shoulder" judgments. Instead, the framework is an "assessing and enhancing" tool that looks forward and gives an organization a good idea of its own hits and misses.

"The framework allows venture managers to fairly quickly get an in-depth assessment of what the overall picture looks like in terms of their on-the-ground impacts," says London. "It also provides critical insight into how ventures can improve their poverty alleviation outcomes by enhancing the positive impacts and mitigating the negative ones. It's not unlike marketing: The better you understand those you are working with and whose needs you are trying to meet, the better you'll do."

PHOTO BY JOHN-MICHAEL MASAS / DARBEE COMMUNICATIONS, COURTESY OF VISIONSPRING

FILLING IN THE BLANKS The framework has two main parts. The first is a strategic analysis that involves less number crunching and more fieldwork. It directs members of the organization to interview local buyers, sellers, and other members of the communities being served. All expected effects — positive and negative — should be listed in the economic, capabilities, and relationships quadrants of the framework, and some key questions should be answered: How will buyers' capabilities be affected? How about sellers' incomes? How will the venture change relationships — business and personal — in the community?

"In some sense, it is filling in the blanks, but it also takes a deep understanding of the local impacts of the venture's business model. That means you're going to have to hear the voices of a wide diversity of stakeholders," London says. "You don't want to do this from an office in New York. You want to talk face-to-face to people at the base of the pyramid and make sure your team is aware of the venture's holistic set of impacts."

Once the strategic analysis is complete the framework's next step is to use gathered material to create key short- and long-term metrics to track positive and negative effects. This involves collecting and analyzing data, but it isn't as difficult, time-consuming, or expensive as it sounds, London says.

The organization should collect baseline and post-venture data on local buyers, sellers, and communities affected by the work and, if possible, on a similar unaffected group to see what would have happened if the work hadn't been done.

"This will take a little longer because you have to establish the baseline and then follow up, but once it's in place it should be relatively straightforward to continue to collect that data over time as part of an organization's regular business operations," London says.

A CLEAR VISION One early user of the Base of the Pyramid Impact Assessment Framework is VisionSpring, which wanted to enhance the outcomes of its work in India. VisionSpring uses a microfranchising system to help address a common problem: blurry vision as people age. The company recruits locals to become vision entrepreneurs by setting them up with an eyeglass inventory, business forms, and the training and equipment to perform eye exams.

London says VisionSpring thought the venture was gaining ground based on the sales numbers from its vision entrepreneurs but knew it needed more substantial information to expand the effort. After performing the strategic assessment, VisionSpring found big potential in improving the lives of its buyers. In one market, locally produced weavings were in high demand but aging artisans were losing their sight. VisionSpring's glasses improved the quality of life for these artisans, helping them increase productivity.

But VisionSpring also identified some potential social land

mines. In many areas, families are not used to women taking on new roles outside the household, especially as entrepreneurs. Armed with that knowledge VisionSpring sought to avert unnecessary strife by encouraging husbands and other family members to participate in the business.

VisionSpring then worked with London and colleagues at Ross to develop performance metrics. They measured changes in the level and stability of sellers' incomes and capabilities. They also looked at the relationships of the consumers and changes the business brought to the community.

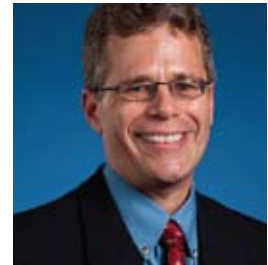
"VisionSpring is always challenging itself," London says. "They thought they were doing well on the ground but felt they weren't sure what their true impacts were. They had the courage to say, 'We'll take the risk [of self-examination] because our goal is to alleviate poverty, not promote our organization.' Hopefully these activities aren't mutually exclusive."

LOOKING AHEAD London thinks his framework can serve as a valuable tool for donors focused on poverty alleviation as well as members of nonprofit boards.

"Funders can ask the ventures coming to them for resources to please take some time and fill out this framework," he says. "It will tell a couple of things. If they struggle with it, then the venture team may not have a good understanding of what's actually happening on the ground. Funders can use this as a red flag to reject this request or maybe use it as an opportunity to work with this team to help them gain a better understanding of their poverty alleviation impacts. Additionally, once implemented, the ventures now have a standardized tool in place to improve their impacts over time."

A larger goal of the framework (and London's long-term research efforts) is to collect enough data from different ventures to make broad recommendations on the intersection of venture strategy and poverty alleviation outcomes.

"We don't know those relationships right now," London says. "As scholars we want to be able to assess poverty alleviation outcomes across multiple business ventures. We want to help the individual ventures but also say, as a field, 'What is the real impact of different types of ventures? Does it make business sense, does it make poverty alleviation sense, and how do you maximize those?' The key is finding the relationships among specific venture types and specific poverty alleviation impacts." ✦ —Terry Kosdrotsky



› Professor Ted London's impact assessment tool applies "good business sense" to the poverty alleviation domain.