Building Wealth in the Developing World

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SUBJECT(S): Entrepreneurship
GRADE LEVEL(S): 9, 10, 11, 12

OVERVIEW:
This lesson teaches students some of the issues related to conducting business in global markets. They will read and discuss the Knowledge@Wharton article, “Lessons in Entrepreneurship and Wealth Building from the Developing World.” They will then take a closer look at one of the seven principles that the article highlights to help entrepreneurs evaluate highly uncertain market environments.

NBEA STANDARD(S):
- Entrepreneurship, VII. Global Markets

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- “Dark Milk Chocolate Bars Help to Unlock Wealth in West Africa”
Common Core Standard(s): Key ideas and details, comprehension and collaboration, presentation of knowledge and ideas.

Objectives/Purposes: In this lesson, students will learn to evaluate uncertainties to minimize risk in global markets.

Knowledge@Wharton Article: “Lessons in Entrepreneurship and Wealth Building from the Developing World”

Activity:

1. (10 mins) Begin with students reading the first 2 pages of the article: “Lessons in Entrepreneurship and Wealth Building from the Developing World,” and discussing the following questions with a partner:

   • How can entrepreneurs working in a social change enterprise maintain a sense of responsibility and business considerations in their start-ups?
     - Failure in this environment can be measured in costs to the human spirit as well as financial terms. “You don’t just rush in and say you are going to help without thinking how you will actually be of help,” he points out. “Secondly, if you find that your program is not working, you need to have preplanned how to exit without doing harm or leaving people in the lurch.”

   • What should large companies experiencing limited growth consider?
     - Large companies experiencing limited growth should consider putting some resources into developing new markets in emerging economies, but they should approach the investment with care. “What you don’t want to do is try to create a whole new market and squander tens of millions of dollars being wrong.”

   • How can successful societal wealth building lead to a virtuous cycle?
     - As a business increases profits, it has more incentive to expand, which alleviates more societal problems, such as poverty and a lack of healthcare or educational opportunities, and gives birth to new global consumers. However, the authors emphasize that success is hard to come by. “Many of the societal problems referred to above are currently highly intractable…. As the iconic economist might put it: ‘If the problem were tractable, some profit-seeking enterprise would already be making profits resolving it,’”
Go over these questions and any reflections students’ have as a class.

2. The next 2 pages of the article offer seven principles to help businesses evaluate highly uncertain environments along many dimensions. Divide students into 7 groups and assign each group to work on one of the principles. Students are going to understand the principle, define it, and share it with the class along with an example. When creating the examples, have students use these principles to implement a strategy for the regions shown in the “Chinatown, Africa” video they watched in lesson 3 from this unit. Have each group share their principle and example with the class. Let the other class members take notes and ask questions on each principle.

The 7 Principles:

- **Delimit the ballpark, or scope, of the enterprise:** The first principle outlined in the paper is to establish a scope for a project that factors in the level of uncertainty. The model should specify disqualifying conditions and set clear performance outcomes and rules for carrying out the program. A disqualifying condition, for example, might be a lack of potential to reach hundreds if not thousands of people. The feed project in Zambia, for example, set performance standards of a minimum regional chicken consumption increase equivalent to at least one million daily protein servings per year. The WSWP requires that all enterprises follow U.S. laws, do not accept bribes and pay employees at least the local minimum wage.

- **Incorporate sociopolitical forces into strategy:** The guidelines also call for a sociopolitical analysis to identify and factor in the roles of beneficiaries, potential allies, those who are indifferent but whose support will be needed, and opponents with the ability to fight a project that might affect them adversely.

- **Design a low-cost pilot and plan for scalability:** Given low odds of success, a costly, asset-intensive startup should be viewed with skepticism for societal wealth projects. The WSWP’s current approach is to design a low-cost pilot of the actual business model, with the entrepreneur’s input, and a plan for abandoning the pilot with minimum social damage if need be.

- **Identify or create an appropriate unit of business:** WSWP also finds it is useful to specify a proposed unit of business first, and then build business and revenue models around that.

- **Preplan a realistic approach to disengagement:** In addition to mapping out a plan to succeed, the guidelines developed through the WSWP also recommend a plan to disengage from societal wealth projects. MacMillan maintains that it is critical to plan from the start how to get out of a project that is not working in order to avoid suffering on the part of the people who would have benefited from a successful program. “The
idea here is leave a minimal footprint," he says. “A lot of these projects go in and fail and leave a trail of damage behind the abandonment. You just should not do that. .”

- **Anticipate unintended consequences:** Some are positive, such as improved education and better healthcare and nutrition that come with higher wages. Others are negative.
- **Maximize learning ahead of investment:** The WSWP guidelines also emphasize discovery driven learning. The authors suggest creating a “protoplan” with early-stage financial and operations specifications and 10 to 15 assumptions that are continuously revisited and updated. This process converts uncertainty to business risk ahead of investment by reducing a wide range of variables.

**Tying It All Together:** The idea of the exercise is to create experts on this topic of building wealth among the students, and also to add to their knowledge. The knowledge is also useful because it is like an instructional guide on how to do business with low income or poor populations.

**Practice Outside of the Classroom:** Evaluating uncertainties is not just something that an entrepreneur must do before entering global markets; it is necessary before entering any market. You can and should apply these principles for any entrepreneurial venture you begin.

**What Worked and What I Would Do Differently:** The activity was a great way for students to be responsible for creating their own learning, and my students really took to the task of explaining their section and then providing strategies. Something fun I did was to have each student make an info sheet on their principle, and then I took one of these from each group and combined them to make an instruction guide-like booklet for everyone in the class called: “How to build wealth in the developing world – A How to Guide.” The students responded well to that.