Foreword

As Secretary General of the United Nations, Kofi Annan once stated before a meeting of high-level business representatives: “open markets offer the only realistic hope of pulling billions of people in developing countries out of abject poverty, while sustaining prosperity in the industrialized world.” Annan is among those who recognize that the noble efforts of NGOs and charity organizations are not nearly enough to raise the world’s poor out of poverty. Long-term solutions are more likely to arise from enterprise creation and market development.

It is my view that business—more than either government or civil society—is uniquely equipped to lead us toward a sustainable world in the years ahead. And that means a world without abject poverty. The need for sustainable economic development at the base of the pyramid (BOP) is clear. What is needed are viable solutions and ways to implement them. This book presents microfranchising as just such a possible solution.

As a Professor of Management at Cornell’s Johnson Graduate School of Management, my expertise lies in the implications of environment and sustainability for corporate and competitive strategy. I explain in my book Capitalism at the Crossroads (2005) that it is helpful to think of world markets as being of three varieties: developed, emerging, and traditional. While corporations currently focus their efforts almost exclusively on the developed and emerging markets, the vast majority of humanity—some four billion people—live in traditional markets.

Business models for the traditional market must leverage local talent, create employment opportunities, and build capacity in the community. This book shows how microfranchising can be a tool for poverty alleviation that achieves these three objectives and more. By building small, replicable businesses that are adapted to the local culture, microfranchising is a way to provide the poor with valuable goods and services. Even more importantly, however, it also provides a new business model that facilitates local entrepreneurs in launching business ventures that employ local people, and establishes feasible platforms for multinational corporations wishing to work at the BOP.

Microfranchising is not a handout; rather, it is a handover mechanism or tool. The opportunity of running a proven business model is handed over to willing and able individuals who would otherwise be forced to learn
through the painful and often very traumatic start-up, fail and start again cycle prevailing in the informal economy. With the capital available either through microcredit institutions or other types of NGOs (or the MNC partner) and the guidance, training, and direction of a microfranchisor, talented but inexperienced and untrained individuals can bridge the gap between the informal and formal economies in ways that were previously nearly impossible.

As many have noted, the market is not an invention of capitalism—it has existed for millennia; indeed, the market appears to be part of the human social DNA. As one who believes that business is the most powerful force for positive change on the planet today, I recommend this book to all business people, government leaders, and others who have a genuine interest in building a sustainable global society. The co-editors and authors in this book are at the forefront of a poverty alleviation movement that could be as promising as microcredit was in the early 1970s.

Stuart L. Hart
_SC Johnson Chair of Sustainable Global Enterprise_
_Professor of Management, Johnson Graduate School of Management_
_Cornell University_