Base of the Pyramid Engagement Models for Executives in Emerging Markets

Stephen Goodman, former Head of Strategy and Research, Executive Communications
Sun Microsystems
with Nicholas Bruch, The Fletcher School
Executive Summary

Base of the Pyramid (BoP) and frontier market economic growth, along with the transformative social and economic utility of information and communication technology (ICT), have created a significant growth opportunity. At the same time, new business and technology models are being built in these frontier markets. This convergence of this ICT, business and organizational innovation is driving corporate engagement in the BoP from solely philanthropic tactics toward mutually beneficial market-driven solutions.

In order for corporations to navigate and participate in this evolving marketplace, stronger understanding of and smarter engagement with market influencers and decision-makers is vital. These decision-makers, however, are from diverse constituencies and no longer limited to western models of influence held by media, enterprise buyers and financial and industry analysts.

To embrace these dynamics and move toward more effective engagement with these new influencers, Sun Microsystems developed a function dedicated to executive-level relationships and partnerships. This case outlines Sun's market research, strategy and implementation of a new model of executive engagement in frontier markets. The result is a picture of a corporation making a strategic shift towards more long-term investment and metrics-based action in order to build and steward new relationships that would positively impact the business.

Smarter executive engagement resulted in a range of outcomes, including economic development, joint research and development, product placement in a research context, academic collaboration, and business benefits, including brand, reputation, demand creation and market opportunity.

Sun Microsystems in Transition

The mid-2000s were a difficult period for Sun Microsystems, a Silicon Valley-based software and hardware maker. Between 2006 and 2009, the company struggled to offset a steady decline in its high-end server business. With flat sales and decreasing profits, Wall Street grew impatient with Sun’s management team. By 2008, Sun’s stock had declined significantly and the company was forced to announce that it would lay off thousands of employees.

Despite these difficulties, many remained optimistic. Sun had earned a reputation for innovation and a strong entrepreneurial culture. The company’s consistent investments in research and development had generated innovations that had become synonymous with fast-growing parts of the information technology industry. The Java platform, developed in the early 1990s, became the most popular web-programming language and redefined the way websites and mobile phones were designed and used. In hardware, Sun’s x64 server line and Solaris operating system became the mainstay for large data centers and corporate mainframes.
Enhancing Sun’s R&D prowess was the company’s entrepreneurial culture. Everyone from executives to engineers was pushed to think creatively and take risks. Mistakes, after all, were easier to forgive than missed opportunities.

**Importance of Emerging Markets**

The company had a strong presence in fast-growing emerging markets that offered potential for future growth. Sun had realized the importance of Asia, Eastern Europe, and the Middle East before many of its competitors, and it had built a large presence in Bangalore, Beijing, Prague, St. Petersburg, Tel Aviv, Tokyo, and other cities. In 2008, less than 40 percent of Sun’s worldwide revenues came from the United States, with 18 percent coming from Asia alone. Despite these impressive sales figures, Sun’s emerging-market strategy was not solely focused on sales. The company also had large R&D centers throughout Asia, Eastern Europe, and the Middle East.

Even with rising sales in emerging markets, Sun’s executive team believed that the company was underestimating the opportunities in these new markets and, in 2008, challenged the company to develop better strategies that would propel the company forward, grow sales, and reestablish Sun as a leader in innovation. While the company’s existing product line of servers and software was well positioned to serve the region’s growing number of large corporations, there was a belief that technology was an integral ingredient in improving civic, social and economic opportunity.

The growing reliance on a range of technology tools and applications would be a fundamental part of community and national solutions. Adoption growth in areas of mobility, social networking, along with booming use of data-heavy application and information exchange would create a new growth market. Furthermore, expected small and medium-sized business growth in working, lower and middle-class segments in the developing world, known as the “Base of the Pyramid” (BoP), would also create demand for new types of technology products and services. It was this dynamic that caught the attention of Sun’s executives.

Sun’s client base of large multinational corporations (MNCs), large government contracts and international organizations focused on enterprise solutions. The economic opportunity from emerging markets and the BoP was undefined but evolving rapidly. The four billion BoP end-customers were Sun’s future user base and a $5 trillion market. This new economic paradigm would require drastically different banking, telecommunications, and consumer goods and services. Correspondingly, the technology adoption and the service suppliers, which ranged from emerging market-based mobile phone providers to NGO microfinance firms, would require new information technology structures that facilitated large volumes, low cost, and mobility. It was these companies that Sun would need to focus on.

Complicating the implementation of this strategy was the fact that Sun had an ad hoc approach and little exposure to the complex web of decision makers that drove trends in the BoP markets. While Sun had rapid sales growth throughout the developing world and strong emerging-
market teams led by executives who understood their markets, less attention was paid to the next wave of emerging market growth, the BoP.

Furthermore, Sun’s focus on MNCs had created deep relationships with traditional market influencers: media, analysts and internal customers. Executives had less exposure to NGOs, innovation labs and incubators, start-up clusters, entrepreneurial hubs, universities, government agencies, and decision-makers of the developing market, thus limiting future demand of and market expansion of Sun’s services. To invest in and participate with this new group of customers and service providers, Sun would need to develop stronger relationships.

The Role of the Executive Communication Strategy Group
Particularly involved in this task would be the Executive Communications strategy group (referred to as the strategy group henceforward), an internal advisory team within Corporate Marketing whose purpose was to work directly with Sun’s c-suite to manage executive-level engagement and thought leadership for senior-level communication and marketing.

The strategy group conducted market analysis in order to develop evidence-based marketing and communications plans, focusing on longer-term goals and to manage longer-term executive relationships. The objectives were to foster executive-level brand and reputation, market positions and demand generation opportunities for the F200 corporation.

For example, in one case, an executive’s strategic plan, called an executive platform, focused on Sun’s marketing priorities around Open Source models. An executive took the lead on the subject and utilized the executive platform to champion the company’s embrace of open-source software. The variety of the executive platforms ranged across a half-dozen executives and their top customer, audience and revenue priorities. One priority area, however, was emerging markets and its evolving segments, including BoP.

The BoP and Frontier Markets as a Viable Market
In 2008, there were two factors driving the importance of emerging markets at Sun Microsystems: the priority of emerging markets to Sun’s revenues, and the unique role information and communication technologies (ICTs) were playing in global economic growth. Revenues and product adoption rates were growing fastest in markets outside the U.S. This was compounded when the 2008 financial services crisis hampered revenues in North America and Europe. Also, competitor activity in emerging and frontier markets was consistently on the rise.

It was standard practice for Sun’s enterprise peer group (e.g., HP, Intel, Microsoft) to deploy technology pilots, partner with governments, incubate with emerging entrepreneurial clusters, provide global NGOs sponsorship, and launch CSR campaigns to boost brand, reputation and growth in frontier markets. These activities were yielding a wide range of results in the areas of innovation, human capital, community investment and sales. Third, Sun executives believed
that global investments, those around the development of innovation and human talent, were found more and more outside the U.S.

The BoP Blind Spot
There was no single catalyst for change, yet there was a growing awareness of an apparent gap between the importance of new emerging market segments and the ad hoc approach to executive communications and engagement in frontier markets.

Executives highlighted that the social utility of the internet would drive technology business around the world, and that Sun would benefit from this growth, specifically the growing demand for the company’s mobility-centric products, open-source and cloud-based software and general technology services. There was, however, a gap between this executive conversation and strategic engagement with the BoP.

Further, there was a perception among some executives that BoP issues were the domain of the corporate social responsibilities portfolio and not a revenue-growth activity. For example, at one executive workshop on global citizenship, it was apparent that some division leaders were not familiar with frontier markets or had a limited approach to emerging markets.

Investment in the BoP, in their opinion, was confined to older CSR practices like foundation grants, “boxed & wired” product giveaways and employee volunteer programs. The idea that the BoP segment was a part of the company’s future economic opportunity was hard for some to conceptualize. The majority of the executives at the workshop, however, were familiar with and interested in the potential opportunity.

Within Corporate Marketing, there was agreement that current executive activity in emerging markets was valuable yet opportunistic in nature. There was a need, however, to shift toward more long-term action and evidence-based executive platforms and engagements. Activities that increased brand, reputation and influence on technology and innovation.

These demands highlighted the need for more data, research and a clearly crafted BoP strategy—one that outlined emerging business models, investment and innovation paths and ways to cultivate this new market.

Understanding a Transformative Market
The strategy group conducted market research and analysis to build a stronger understanding of the BoP and how it figured into Sun’s broader emerging market activity. Testing hypotheses and applying evidence-oriented research clarified doubts and won buy-in with skeptical or too-busy executives.

The analyzed market landscape informed a range of executive-decision makers and built a body of thought leadership on the subject of emerging markets.
The findings of the work were comprehensive, and prominent themes emerged:

- Substantive CSR programs were not only required of corporations, but are considered the lowest common denominator in developing business in the BoP. The research confirmed that Sun’s CSR approach was effective and genuinely rooted in product and engineering solutions (e.g., energy efficiency and cost-savings) focused on solving customer problems. Also, the research highlighted that some level of market-driven CSR approach was expected. Anything less would be deficient and limit economic opportunity for the region.

- The term Base (or Bottom) of the Pyramid was a misnomer and outdated. In order to better conceptualize the economic opportunity it should be treated as a segment of emerging and frontier markets. The BoP topic was no longer a discussion about selling single units, such as toothpaste packets, at the neighborhood level. The BoP is about whole business and civic ecosystems that were evolving at the local, regional and national level. To reduce internal confusion, the group used the terms “emerging segments” of emerging markets or frontier markets as an alternative.

- The hypothesis that ICTs would drive economic growth was proven correct across sectors and firms surveyed. Decision-makers among business, government and NGO leadership agreed that technology would be a value tool for problem solving. Sun’s participation in frontier markets would create growth opportunities for regional companies, local business, non-profit organizations and individuals.

Analysis of the business opportunity revealed three significant market drivers:

- In frontier markets, new models were evolving based on non-Western patterns, structures and expectations. A picture was revealed of a very dynamic and transformative market. New business and technology models were being created and developing in unlikely manners as compared to the west, but were still influenced by technology leadership coming from the United States, Europe and China.

- As ICT adoption and growth boomed in frontier markets, back-end technology requirements and investment were being neglected. For example, with the exponential mobile phone adoption, much of the technology investment was on applications, user-interface and new distribution models. The supporting ecosystem of vendors, municipal agencies, integrators, infrastructure companies and service providers demanded larger scale technology solutions and products—which could be provided by Sun.

Last, and the most outstanding finding, was:

- The BoP ecosystem was supported and led by very different set of influencers as compared to the west. The individuals and organizations solving civic, social and economic challenges did not fit into the classic corporate buckets of enterprise customer, media and analysts. Influence was distributed and spread among different players in emerging markets. Most importantly, these frontier influencers were not being engaged by Sun and, as a result, the corporation was less able to participate in the formation of the economic growth.
Influencer Ecosystem and Executive Engagement

Based on the research, the strategy group decided the most effective approach would be to focus on executive engagement with the BoP ecosystem. Objectives included augmenting Sun’s reputation across new global audiences and emerging communities; boosting awareness and interaction of Sun’s executives with top influencers; and including Sun’s innovation, products and services in emerging marketplace conversations. The strategy group developed a new organizational function to manage influencer relations and strategic partnerships for the executive team.

The strategy had six principles which would guide the implementation:

- Tie relationships and stewardship directly to community, corporate and marketing initiatives.
- Develop success metrics.
- Create a formal process of “Ask/Give” in order to create mutual benefit.
- Build on a best-in-class CSR program and insist on an international and cultural savvy approach.
- Sustain executive participation through repeat program success and consistent relevance to business and customer priorities.
- Collaborate with internal Sun divisions to leverage resources and pool priorities.

Many of these principles fulfilled the objective of moving executive engagement away from opportunistic activities toward a more thoughtful approach. For example, a one-off meeting of the Sun executive and the Minister of Information Technology of a Southeast Asian nation would be followed up by a product-oriented sales manager. Alternatively, follow-up would include an organized plan for executive-level corporate, technology and marketing activities such as research exchange or shared product innovation. At the minimum, the relationship would include stewardship. As a result, dozens of opportunistic or event-driven introductions and conversations would become sustained relationships with the potential of deeper executive engagement and future demand generation.

There were three building blocks for the implementation. First, a new, distinct function was developed—dubbed Global Influencer Relations—to manage and engage with market influencers. The objective of this team would be to recommend and guide relationships with influential individuals and organizations for the Sun executives. Without a doubt, senior-level executives bring their own global relationships, but the team would be able to dive deep into the BoP and emerging markets to identify and prioritize new, relevant and substantive partnerships, then qualify and quantify the value for both parties.

Second, a methodology was created to support these influencer relations and corresponding stewardship. The Sun model would include a six-step process in managing the relationships. The team would identify new opportunities, individuals and organization in emerging markets through external research and collaboration with internal divisions. The team focused on seven segments or audience groups: IT communities including developers; university leadership
including students, faculty and institutes; the entrepreneurial sector including informal segments, SMBs and start-ups; policy and NGOs; digerati or non-traditional media; business and marketplace influencers; and, lastly, thought leaders in the partners and customer verticals.

Next, the influencer pool would be matched with Sun’s business and then prioritized based on relevance to current corporate, marketing or communications initiatives. Before outreach was initiated, the market influencer, whether an individual or organization, was qualified based on a set of metrics based on alignment to Sun’s business, market reach, significance of influencer and positive impact on the emerging segment or community.

The last aspect and bulk of activity was the engagement and stewardship process. In the past, inactive senior-level relationships were touched upon maybe once a year. The influencer portfolio now had relationship managers and regular interaction from Sun. Lastly, business cases and value propositions for both Sun and the partners were crafted and regularly reviewed to ensure mutual benefit.

Third, success metrics were developed and an innovative relationship-based technology platform was built to measure against those metrics. Measurement need to be smart and align to corporate, marketing and communication systems and needs. The technology platform was a hybrid form of a customer relationship management (CRM) system with blended structures from the fields of business development, high-net worth management and social networks. It offered a centralizing and strategic approach to manage the needs and high-expectations of high-touch executive relationships. The platform allowed for powerful analysis and planning, but the team was regularly reminded that its use was about the relationship, not just the data. Smart data, however, empowered more strategic outreach and stewardship.

**Expansion and the “Open 100 Doors” Campaign**

Due to the fast and successful development of the influencer program, it was quickly expanded beyond the scope of the BoP and emerging markets to reach a larger global scale. Still focused on executive engagement, it became a program for a broad range of audiences, segments and markets.

Phase One of the program focused on frontier and emerging markets—in particular, Latin America, China, India and Asia South. Priority issues and thought leadership areas included open source, innovation development, global, mobility and data growth, education, eco-responsibility, shifting global sales models and the citizen engineer. Phase Two was to expand globally.

Some initial expansions of scope included:
- Expansion of audiences, segments and influencer beyond BoP and emerging markets
- A greater emphasis on sales initiatives, top accounts and customer-centric verticals
Reflections from Practice – Business, Diplomacy and Frontier Markets

“Open 100 Doors” campaign and identifying “the Next-Gen face of influence”

The premise, however remained the same—that market influencers were a different set of constituencies in emerging markets and smart engagement was vital to market participation. As result, the influencer program became the center of an executive marketing campaign to “Open 100 Doors”—that is, one hundred new executive level relationships.

Selected Cases of Executive Engagement

**Influential Chinese Computer Scientists** – Sun brought together leading computer scientists from the universities of Fudan, Shanghai and Tsinghua and Sun executives who had never met before, resulting in advancing University knowledge of advanced technologies and emerging trends, multiple Memoranda of Understanding (MoUs), new market and product exposure, brand and reputation, and a long-range relationship based on research and product adoption.

**Executive briefings in Mumbai, India** – Top Sun sales and technology executives developed a relationship with top executives, scientists, NGOs and institutes around discussion on innovation and economic growth. Outcomes included government leaders who could help guide technology road maps, boost brand and reputation in the Indian market and help Sun better understand Indian business opportunities at the BoP.

**National Science Foundation, Directorate for Computer and Information Science and Engineering (CISE)** – This is an example of a strategy built for the emerging markets brought back to a developed market context. When the CTO was invited to the White House to give a speech on small business and economic development, the strategy group recommended a meeting with the NSF Directorate. It was assumed by many that the top CTO of a F200 technology company had a strong relationship with the U.S. government agencies responsible for 85% of all federal funding for technology innovation and premier R&D activity. The two had not yet met but the result of the relationship included a wide range of corporate, research and educational and investments. Follow-up was built in at the executive level across Sun divisions and labs.

**Executive Engagement with Oxford University and Massachusetts Institute of Technology** – In a global context, key emerging market influencers meet and conduct business outside their own markets. As a result, the strategy group made it a priority to meet these decision-makers and influencer where the clustered, specifically at world-class universities. University engagements were conducted on a wide breadth of issues. Outcomes included increase in brand, reputation and market position; joint research and development; product placement in a research context and the collaboration of academic, industry and top account leadership around global social and technology issues.
Lessons Learned
The strategy group learned a tremendous amount from the BoP and executive engagement work. The range of lessons were as wide as the breadth of activities: design of and analysis of market research; crafting a strategy oriented toward execution and implementation; outlining a methodology that was new but realistically connected to functional responsibilities; developing metrics that were measurable and meaningful; the long process of building an innovative CRM technology platform; conceptualizing and launching a new corporate function and, lastly, the daily work of influencer relationship building and stewardship. A few selected insights from the market and firms perspective:

- **Neglect of the Back-End Technology** - Within emerging markets, the increase in demand for mobility-centric products, cloud-software and general technology services will help grow the need for back-end technology requirements and investment.
- **Non-traditional Influencers** - Market influencers in frontier and emerging markets are a different set of constituencies and engagement is vital for market participation.
- **Messaging Counts** - It was harder to win buy-in with some executives using the term “BoP” instead of “emerging markets” to describe the next wave of economic opportunity growing around the world.
- **CSR as LCD** - The use of Corporate Social Responsibility to enter and expand into frontier markets is a lowest common denominator business activity. Expectations and requirements by influencers, decision-makers and customers are much higher and include market-driven and civic-oriented solutions, executive-level engagements and exchange, and sustainable practices.
- **BoP Blind Spot** - Even a Fortune 200 corporation with a global brand, reach and culture and with a strong position in emerging markets could have a blind spot for Base of the Pyramid opportunities.
- **Emerging Markets as a Corporate Catalyst** - The functional success of the influencer program that focused on emerging markets was quickly expanded into a larger global scope of market influencers including developed markets.
- **Smart Strategy** - Strategy tied to metrics, organizational investment and supportive technology platform allows for better execution.
- **Reverse Value** - Strategies, implementation and structures crafted specifically for the frontier and emerging markets can have reverse value when brought back and used to improve business approaches in developed and western markets.
- **Engagement to Building Markets** - Wise executive engagement can result in a range of outcomes including economic development, joint research and development, product placement in a research context, academic collaboration and business benefits including brand, reputation, demand creation and market opportunity.