What Can UNICEF Teach Unilever About Succeeding in Emerging Markets?

By

Peter Uvin and Bhaskar Chakravorti

The Fletcher School, Tufts University

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Abstract

International development and aid agencies have been at work in emerging and frontier regions for decades. In the meantime, multinational businesses have recently re-focused their resources in these regions in anticipation of economic growth originating primarily from these regions. This raises a natural question: are there lessons that have been learned by the development community that can be transferred to the business community? These lessons can be distilled into a handy collection of “laws”, a set of principles of operating in emerging markets. This suggests a radically new approach to developing an emerging markets strategy for multinational businesses. In some cases, the laws do, indeed, carry over; in other cases, they do not and may give rise to “counter-laws”. In all instances, they are thought-provoking.

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1 Uvin (Peter.Uvin@tufts.edu) is Academic Dean, Henry J. Leir Professor of International Humanitarian Studies and Director of the Institute for Human Security at The Fletcher School. Chakravorti (Bhaskar.Chakravorti@tufts.edu) is Senior Associate Dean for International Business and Finance, Executive Director of the Institute for Business in the Global Context and Professor of Practice in International Business at The Fletcher School. We gratefully acknowledge the comments and suggestions of our colleague, Kim Wilson. All errors and oversights are our own.
INTRODUCTION

This article is the outcome of a conversation between the co-authors that transcended the boundaries of two disciplines that have traditionally been quite far apart: international development aid and international business. We opted to capture our ideas in a form that preserves the feel of a cross-disciplinary dialogue. Before our paths crossed as deans at The Fletcher School, we inhabited different professional worlds. We began with a simple comparison of notes as each of us reflected on our respective experiences over the past two decades in various regions that are broadly described as “emerging and frontier markets”. Peter Uvin had been engaged in the humanitarian and development field with NGOs, international aid agencies and bilateral donor government organizations. He had worked in and studied a wide range of environments: from post-conflict countries, such as Rwanda and Burundi, to more classic developing economies, such as India and the Philippines. Bhaskar Chakravorti had been a consultant -- most recently as a partner at the international consulting firm, McKinsey & Company -- to many of the world’s largest multinational corporations seeking growth and innovation opportunities in emerging markets. His work involved multiple countries in sub-Saharan and North Africa, Asia and Latin America. We have worked in many of the same countries, although not in the same professional and academic circles.

We started with some rather simple observations: Development aid agencies -- international NGOs such as CARE, World Vision or Oxfam, and multilateral agencies such as the World Bank and UNDP, have been at work in the so-called emerging and frontier regions for decades. In the meantime, the focus on these regions by multinational business organizations is a relatively recent phenomenon. This impetus is largely in anticipation that in the coming decades economic growth will originate primarily from these regions.

The widely circulated 2001 Goldman Sachs BRIC report pushed emerging markets high on the strategic agenda of global business.² A world hungry for growth after the collapse of the Internet-cum-telecom boom learned from Goldman Sachs, McKinsey and other analysts that in the coming two decades, the majority of the world’s GDP growth and virtually all of its population growth would be traced to these markets. In fact, five countries (Brazil, Russia, India, China and Mexico) alone were expected to account for half of this growth. Of course, reasons for excitement about the prospects in each of these markets were quite different: China and India have large populations that represent both low-cost labor and a potentially untapped

consumer pool; Brazil has abundant raw materials; Russia has energy resources; and Mexico benefits from proximity to the U.S. market, among other things. More recently, in the wake of the global financial crisis, there has been a clear bifurcation of the trajectories of mature and emerging markets, with the latter showing greater resilience and recovery from economic stresses. The persistent woes afflicting the US, Europe and Japan have continued to reinforce the re-prioritization in favor of emerging and frontier markets.

These developments led us to pose a natural question: are there lessons learnt that can be transferred from the development community to the business community? Naturally, we started with Uvin’s experiences as the foundation of our analysis.

The lessons derived from Uvin’s experiences can be distilled into a handy collection of “laws”, a set of principles of operating in emerging markets. Chakravorti found that these laws have powerful implications for private enterprises penetrating emerging markets. In some cases the laws do, indeed, carry over; in other cases, they do not, and, in fact, give rise to “counter-laws”. In all instances, they are thought-provoking.

OUR CONVERSATION

Bhaskar Chakravorti: More than 75% of the world’s GDP growth is expected to originate in emerging markets and these markets already account for 50% of the world’s economic output. It comes as no surprise, then, that multinationals in virtually every sector have been busy formulating an emerging market strategy. Typically, such strategies use the company’s experiences in mature markets as the baseline. The companies try to gauge how emerging markets are different from mature markets and then look for ways in which their core strategies, activities, processes and organizational forms may be modified to account for the differences. This approach makes sense—it builds on existing organizational capabilities and allows companies to exploit synergies with the core in new high-growth markets.

How about a very different approach to building an emerging markets strategy-- one that looks for insight not within the company but from outside its four walls? To create an alternative frame of reference, consider the actual operating experiences of other entities with a track record in emerging and frontier markets and work backward. An interesting place to turn for experience on this issue is to international development aid agencies, which have been operating in these countries for decades. Are there some lessons to be learned from an agency such as UNICEF that might carry over to private enterprises? In other words, can UNICEF teach Unilever how to succeed in emerging markets?

Peter Uvin: My experiences and lessons learned from the work of development organizations can be distilled into “laws” in almost slogan form, a set of principles of operating in emerging markets, akin to other so-called laws (as in the law of gravity,
or the forces of tectonic plates): regardless of one’s opinion about them, one has to live with them. Let me start with the most basic, and maybe counter-intuitive, point:

**Rule #1: All action is political.**

The development experience suggests that—whether you want it or not, intend it or not, recognize it or not—everything you do is political. A simple declaration that you have no political aims will not alleviate the inevitable political ramifications of your actions. It may allow you to preserve an apolitical and purely idealistic illusion for some time, but none of the political effects of your activities will disappear; they will simply accumulate and catch up with you eventually.

There are multiple reasons for this. First, the poorer a country, the more every economic decision has major social and distributional implications. The stakes are simply higher, and hence the conflicts about these stakes are bigger and more omnipresent. Second, in countries where institutions are weak, decisions are rarely made through formal procedures and objective criteria; patronage, power, and politics are more likely to interfere in even the smallest decisions. Third, the less developed and free a country’s markets are, the more artificial scarcities and odd distortions create opportunities for gain by some, frequently at the expense of others. As a result, every action has political implications. In most African countries, for example, drivers for aid agencies or typists in the UN earn more than government ministers—do we really think that, under those conditions, even these organizations’ presumably simple personnel hiring decisions are apolitical?

Most of the time, this politics will be more exclusionary, violent, and contested than we expect. Apart from the moral dilemmas this poses, especially in an age of widespread concern for corporate social responsibility, the practical problem is that some people will likely be angry at you or even consider you part of the problem, and you may have no idea why this is the case. As long as those people are weak and poor, that may not affect you much, but if they organize well and/or get a coalition of foreigners to publicize their plight, you will suddenly start looking far worse than you expected.

This first law is very hard for all of us to accept. Even development practitioners, who have been working in these areas of the world since the beginning, took decades to come to grips with this insight, and it is still deeply resisted, and often conveniently forgotten, by many today. So I imagine that it is equally hard for private sector managers to accept this law.

**Chakravorti:** I agree that it is useful to reflect on how this law applies in the context of private sector organizations. One would expect that recognizing the law may be even harder for managers from the private sector to accept, as the sense of being apolitical is even more deeply part of their basic mental outlook. While business managers may be aware that their corporate social responsibility (CSR) work touches...
on politics and governance, they surely see their core business work as entirely a-political

However—and this may come as a surprise—the private sector may be more attuned to this reality than one would give it credit for. Entry into an emerging or frontier market typically involves some form of baptism by political fire: cutting through regulations, laws, red tape, corruption by political and bureaucratic gatekeepers—and recognition of the need for cross-subsidies of some kind and more generally a quid pro quo as the entry ticket. However, the moment you play in such a market, you side with a political constituency and risk alienating others who might be important for long-term commercial success. Too often, political alliances have a short half-life.

Problems associated with running afoul of the law, however, may arise at a later stage. Once managers overcome entry barriers (or start-up barriers, for homegrown enterprises), they face two difficult political challenges.

First, a company’s choices made at entry, while born out of expedience and need, do have long-term political consequences. This is most obvious when political environments change, and managers suddenly find themselves and their companies marginalized, associated with now discredited power holders, subject to “politically motivated” investigations, considered enemies by some political parties and leaders, and so on (the experiences of many companies in Russia, or of Enron in India, come to mind).

Second, while they may have been willing to cut a political deal at entry or start-up, companies subsequently tend to have far more difficulty imagining and preparing for the unintended consequences of market penetration (most of which also have political implications). They are also very focused on growth that satisfies the Chief Financial Officer’s directives, which leads to an exclusive focus on economic metrics, consumer targeting, efficient resource utilization and cost management, and minimizing payback periods—frequently at the expense of social, environmental and political considerations. Managers on the ground have short time horizons: they know they are on the job for a short stint before they prove their ability to thrive under adversity and then move "up" to more prestigious markets. In other words, they often do what is expeditious and focus on the bottom line and quarterly targets rather than thinking holistically and longer-term about the broader impact of their commercial initiatives (see rule 6). At the core of near-term/quarterly success is focus on the bottom-line or on meeting financial targets, which means certain factors or segments of the stakeholder population or other externalities are necessarily excluded. Such exclusion is a recipe for ignoring the wider political ramifications of a campaign focused on market penetration.

Uvin: You make some interesting and convincing arguments here, and I think they are, indeed, valid for development practitioners as well. Let me just make one additional observation: you have been mainly focusing on ‘big politics’—the sort of relations with national figures one needs to establish and grow a company. This big
politics is real. But my argument also refers to small politics—the politics of daily decisions about who you hire, who you contract with, what land you buy, and so on. This brings me to my next point.

Rule #2: You cannot avoid elites.

Uvin: Those who operate in the development world have a serious problem with elites. Often they do not recognize them. They want to believe that everybody is equal, part of an entity called the “country” that needs “ownership,” or, at the local level, the “community” that needs “participation.” They fail to see that within countries and communities there exists great inequality, exclusion and divergence of interests and capabilities. As a result, they suffer by running afoul of the local power structures without being prepared.

At other times, especially in highly authoritarian and unequal countries, development organizations do recognize elites, but their default approach then is to try to avoid or circumvent them. They want to reach out directly to the poor, the marginal, the women, the excluded, etc. This very rarely works. Elites know far more than the outside experts do about local contexts; they have been there and will stay around far longer; they can benefit from the attitudes and calculations of the disadvantaged themselves; and they possess many more tools for manipulation than outsiders are aware of. Development professionals would all be far better off directly interacting with elites, seeking to create positive sum interactions with them that may also provide benefits to the poor, and using the power of argumentation and socialization and incentivization to change elite preferences and behavior. Elites learn and change, after all, just as we do.

Chakravorti: This is an area where well-run businesses are frequently far ahead of the development sector. Business managers are much more attuned to the critical role of the elite. Really well run businesses implicitly—and often explicitly—think about their markets as a network with power concentrated within various hubs. Unilever, as a matter of fact, operates in many emerging economies by understanding the "elites," who act as the key distribution nodes in various second and third-tier cities/towns and on down, which get their soaps and detergents to the middle and bottom of the pyramid. The absence of access to such elites and an effective distribution strategy often stymies foreign entrants. Some private sector players brilliantly piggyback on the elitist hierarchy created by others; for example, GrameenPhone used the women coordinators of the Grameen Bank microfinance organization to distribute wireless telephony in Bangladesh, and Godrej used a similar approach to conduct market research and distribute little red refrigerators in India. However, locating these elites is often not easy. Marketing and distribution and networking theory may have many lessons not only for business but for development organizations as well.

In fact, the very foreignness of the target markets and difficulties of reaching the intended consumers causes business managers to actively seek out elites, who are both knowledgeable and have power. Businesses commonly establish ways to align
incentives with certain elites as core aspects of their strategic and operational models. Without such help, they might fail at profitable market penetration due to finite resources and limited local insight.

**Uvin.** I think you are right here: it is easier and more natural for business to make alliances with local elites, and, under certain circumstances, these can even lead to the sort of pro-development changes in attitude and behavior that I had mentioned earlier.

**Rule #3: What you see is rarely what you get.**

**Uvin:** The less developed a socio-political system is, the more the formal rules, decision makers, procedures and institutions are not the real ones. Informal institutions exist everywhere, including in the world’s richest countries. But in emerging and frontier markets, the gap between the informal and the formal is often far more extensive—it both covers more areas of life and is further removed from formal rules and institutions. And thus there often exist formal laws and freshly built courts, but no justice; tenders boards and bids, but no competition; elections and parliaments, but no popular choice; gender laws, but no benefits to women; banking regulations, but pervasive cronyism; and so on.

Why these wide gaps? At the core lies the fact that in many post-colonial, “modernizing” countries, the formal institutions of states, civil society and markets have been imported and copied—not created from within. There are advantages to that: as with, say, communications technologies, there is a cognitive clarity from being able to learn from more advanced countries and “leapfrog.” Yet, for many people, these imported formal institutions possess little in the way of legitimacy; they are not natural, self-designed or internalized. As a result, they become spontaneously perverted. Frequently, there is a class of intermediaries—those with sufficient command of both the formal and the informal—who will rise to the top, playing both levels simultaneously, like chess masters playing on two boards at the same time. Most outsiders have no idea of the existence, let alone the rules, of the second “invisible” board.

For development practitioners, this is quite troublesome. Their aims—pro-poor growth, empowerment, democracy and accountability—frequently run counter to these informal institutions. They often spend enormous amounts of time and money implementing technically sophisticated solutions that work at home, only to have them circumvented or re-appropriated by these informal institutions. As outsiders, they eventually understand these institutions exist, but they seem powerless to affect them—their only tools lie in the realm of the formal, and they are always checkmated on the invisible board.

**Chakravorti:** For businesses, this law presents a dilemma. On the one hand, profit-seeking can make managers agnostic to institutions. It could be argued that businesses can be equally profitable in systems that feature formal or informal institutions; if
desired outcomes are not delivered through one set of institutions, a savvy manager will seek alternatives. As long as the prevailing system works for the company’s business objectives, there is no need to understand or judge it. On the other hand, private sector enterprises are typically subject to many forms of scrutiny—from auditors, the wider management team, the board, regulators, the press and other stakeholders. Even if the real chess game is being played on a different board, managers risk violating disclosure rules, company policies and ethical standards by playing the game with an informal institution—even when no laws are being broken. These constraints become even more salient when the enterprise is publicly traded and is therefore subject to even more scrutiny and disclosure requirements. As a result, competing on the invisible chessboard may not be a viable option for many enterprises, even though that is where the real game is being played. This puts those companies from countries with strong regulations and enforcement at a disadvantage compared to those from countries where such regulations do not exist or are weakly enforced. It also may create temptations for employees to play on the invisible chessboard, with potentially negative political or legal repercussions down the road.

**Rule #4: Projects that go according to plan are irrelevant.**

**Uvin:** An axiom among some savvy development and conflict resolution veterans goes as follows: if a program does exactly what it was planned to do, one of two things is going on—either you are not being told what is really going on (and things thus are not going according to plan; they only appear that way to you), or nobody gives a damn. Conversely, any program that is being diverted, modified, toned down, captured or contested is becoming locally owned. Now, who does the owning—elites or counter-elites, those opposed to change or those in favor—is the question that you may have to be concerned with.

Meaningful outcomes in the social sphere do not reflect initial plans; they never do. On balance, that is probably a good thing, and all the more so if the plan emanates from outsiders and is intended for societies where endemic poverty, deep social division and absence of clear rules are the norm. This doesn't mean that plans are unnecessary, but it does mean that linear execution is the enemy of meaningful impact; plans should instead be flexible, allowing for change, opposition and reappropriation, ongoing analysis and continuous learning.

**Chakravorti:** Businesses are much more restrained in any enthusiasm for deviation from plan. Plans are essential for the organization of private sector enterprises in setting targets, assigning metrics, determining compensation, approving budgets and managing employees. Experienced managers usually understand that plans and roadmaps do not always survive contact with reality. But these plans do establish a baseline for initial resource allocation and decision-making. Plans also play a very important role in setting expectations, which in turn determine whether the company and its managers are rewarded or penalized; the act of meeting, exceeding or underperforming expectations is generally much more critical than actual performance.
Most businesses learn that the key is to not be dogmatic about the first version of a plan and to learn. Uncertainty from many sources—e.g. the market, technology, finance, organization—is inherent in every business proposition. Businesses, like development organizations, have to anticipate those uncertainties. Here, too, the more evolved one implements appropriate risk management strategies – hedging their bets, building in flexibility to adapt to new information, developing crisis management plans, buying insurance and redundancy and taking a portfolio approach – the better. Many business plans involve the consideration of alternative scenarios that highlight the key uncertainties and variations on the future context and on the resulting plans. In fact, businesses have become quite sophisticated in their recognition of uncertainty and have developed instruments to “de-risk” themselves. That said, plans and the goals of adhering to them are still central to their modus operandi.

In fact, development organizations may have much to learn from businesses (the more evolved ones) in taking a systematic approach to the vagaries of reality. Business has much to learn from development on how to think about the sources of uncertainty in more holistic terms—to create a richer set of scenarios and recognize the multiple stakeholders and their multifaceted incentives (economic and non-economic). All that said, the law as it is stated may be off-putting for a business person. Private sector projects that go according to plan may be rare, but they are rarely irrelevant. Of course, the larger the organization, the more it struggles with any deviation from the plan; predictability, routine and process are the keys to capturing economies of scale and scope. So the rare occurrence of projects going according to plan is generally a matter of celebration, especially since one expects that—as they say—stuff happens.

Rule #5: The process is the product.

Uvin: In development, it is increasingly obvious that, rather than the actual physical products of a project, the way agencies interacted with people and institutions is the essence of what is left behind. What matters is not so much which school or hospital was built, but who conceived it, who decided on the priorities, who did the building, who was the broker, who knew about the project and who did not. Were the usual people excluded or not? Did things happen transparently or not? Did people learn to conceive, organize, demand and negotiate?

The consequence of this statement is that much of development work is (or should be) about facilitation, mediation, negotiation, learning and relations—not about money or technical knowledge, even though most people think that his should be the prime, if not the sole, focus of international aid. The technical knowledge can be bought or brought. Social learning, the emergence of new networks, the capacity to conceive and bargain, and confidence in oneself: money cannot buy any of these. They emerge—or are stifled—as a result of processes, and have much greater and far-reaching impact relative to actual products.

Chakravorti: Businesses, on the other hand, of course, live or die by their abilities to deliver a product to the customer. In the absence of right product delivery to the right
customer at the right time, one could argue that a business cannot expect to remain competitive for long. However, it is important to distinguish the “early wins” from a sustainable and robust longer-term growth trajectory. While early wins are necessary to keep management interest alive in the endeavor, a proven upward trajectory in sales penetration is crucial. And such a trajectory is impossible in an emerging market without a clear process for how the business enterprise solves the three critical problems of affordability, appropriateness (in terms of usage context, sustainability, availability of complements, etc.) and access to consumers through a distribution network or to raw materials and resources through a supply chain. Such a process is often at the heart of an innovation in the company’s business model. Getting this model right is generally far more important than getting the early batches of product sold. Getting the model right allows the company’s operations to get to scale and, thereby, become self-sustaining.

In this sense, we have a paradoxical outcome: even though the product is what defines a company, it is crucial to have a process in place that is tested in the emerging market environment and has the capability to get product sales onto a sustainable grow path- and to do so at scale. It often takes several experiments to get the process quite right, so managers learn how to build in points of flexibility and opportunities to learn from past experiences. Such a locally tailored process may ultimately be the defining reason for a company’s success in an emerging market.

Rule #6: How you start determines where you end up.

Uvin: Given the importance of process, it is hard to change the legacies of the way a project or organization started later on. Once you enter a community, approach a partner, or negotiate with a government in a certain way, you will be locked in, as long as the political conditions remain the same. It will be nearly impossible to change direction. If you started in a confrontational manner, it will be very hard to move to genuine collaboration and trust; if you began in a condescending and offensive way, it will be very hard to ever develop a truly respectful relation; if you approached people first in an authoritarian or top-down mode, it will be very hard to add meaningful participation later; if you allowed corruption and clientelism to dominate your entry into a community, it may be near impossible to reverse that course; if you developed a reputation for unreliability early on, it will be very hard to shake that off; if you built relations with elites of a particular regional or political bias, it will be hard to build relations with others; and so on. Once you have started in a certain way, vested interests come into being to maintain this modus operandi; attitudes and assessments become locked into position; mistrust and miscommunication (or the opposite) become the norm.

Chakravorti: While a development agency may view this situation as one with all the facets of a classic “bad marriage,” a business manager would worry about path dependence and may consider an arsenal of management weapons to fight against it. As with any kind of relationship, getting off on a bad note makes it hard to re-build goodwill, trust and cooperation. A good start may buy you some “currency” or favors
that you could use down the road, but it does not guarantee a free pass. Businesses are just as dependent on social norms, relationship-building and human foibles as any other enterprise. Relative to relationships in the development and aid world, there is likely to be a much clearer logic of mutual self-interest that governs how business relationships and interactions evolve. Business newcomers to emerging market environments may therefore find it surprising, even frustrating, that rational self-interest is not the only dominant driver of behavior.

That said, a poor start or a crisis (e.g. a public health disaster, pollution, negative media coverage, displacement of local industry, labor unrest, etc.) is often expected as a company moves into a new market, particularly those that are as yet unknown and not completely stable. Businesses invest in marketing, branding and public relations in anticipation of such challenges, and quite frequently are successful in rebuilding goodwill even after a poor start. Conversely, a good start can breed complacency and arrogance. Managers let their guard down and do not invest as much in nurturing relationships, and this could either lead to a bad outcome or create an opening for a highly motivated competitor to enter and position itself as the better alternative.

**Rule #7: All change begins with internal change.**

**Uvin:** In the development field, report after report, study after study, and policy paper after policy paper describe the right path, the brilliant solution, the new approach—and few to none of these produce the expected results. This is in part because it is hard to create empowering social change in the tough and volatile circumstances of emerging and frontier markets. But it is also because most reports fail to look at the internal incentives, organizational rules and procedures, and human capabilities and ideologies that condition what comes out of an organization. It is difficult to effect meaningful change with outside stakeholders if the same process did not first occur inside the aid agencies themselves. In post-genocide Rwanda, for example, Oxfam was one of the only organizations that managed to have a positive impact on conflict, in part because it had gone through a painful internal dialogue first, allowing employees to see eye-to-eye about key objectives and obstacles. In contrast, when CARE wanted to adopt a rights-based approach to development in Nepal, it could not do so meaningfully until it first hired staff and senior managers from the lowest castes and ethnic groups. No amount of expert reports and workshops could help make development organizations in Kosovo capable of moderating and remedying that country's conflict; they needed to transform the mindsets of their own employees first.

**Chakravorti:** Private sector companies have a mixed record as far as this law goes. Whenever a multinational operates across national borders it must grapple with a fundamental tension between scale economies of global uniformity and common activities, processes and systems vs. better serving distinct emerging markets with multiple locally optimized organizations. Where one draws the line often depends on the source of competitive advantage in the emerging market in question. The more the competitive advantage relies on superior cost structures and operational efficiencies...
and positioning of a global brand and standards, the less it makes sense for the company to make major changes to its organization in a local market. On the other hand, the more the company’s competitive advantage derives from deep insights drawn from local knowledge and on home-grown relationships with customers, suppliers, regulators and other key stakeholders, the more the need for internal change as the emerging markets organization is established. There are other instances where such internal change is necessary for political and socio-cultural reasons, where a “foreign” brand may not play well with consumers. In fact, many companies go in with a local partner or even acquire a local player to enable the change.

It is useful to also note that internal change may be necessary not only in the emerging market context but also at headquarters. For example, in the early stages of the outsourcing or off-shoring phenomenon, so-called “non-core” functions, such as back-office processing, call centers and technical support, were transplanted to low-cost emerging markets. Over time, as the low-cost nature of these markets started changing to higher productivity characteristics, certain core functions, such as R&D, data analytics and market research were also transplanted. As the progression continues and the emerging markets are given priority because they represent the company’s fastest-growing consumption opportunities, other crown jewels, including the CEO’s office, may move in that direction as well.

**Rule #8: Lessons learned stop you from learning.**

**Uvin and Chakravorti:** Finally, in a conversation designed to offer some lessons, we have our favorite: there are no lessons learned; there are only good questions, and all answers are location- and context-specific. It is the one law that both the development and the business communities can completely agree on: in essence it tells us to not get too complacent about knowing all the laws. Every emerging and frontier market offers fresh lessons for those who are ready to learn. There is a version of the Heisenberg Uncertainty Principle at work in these markets. The more you operate in them, do development work in them or conduct business in them, the environment, people and markets adapt and change. Progressively, even the rules of thumb change.

**Uvin:** Finally, coming back to the original question: Can UNICEF teach Unilever about how to succeed in emerging and frontier markets? I like the alliteration, and I definitely think that, in principle, it is an important and timely question to ask. But I am not sure I would stick with UNICEF as the example, for two reasons. A) As a UN agency, it is more reliant on governments than bilateral and non-governmental agencies, and thus some of the issues we discuss here are different (for example, they do work with government elites); B) There are other agencies that are more cutting-edge on the ground. They may not be the best illustration for many of the observations we make here.

**Chakravorti:** I agree. But we decided to keep the question as our title because it does force you to think. There are other reasons why the UNICEF to Unilever lesson flow
may not be quite representative. Unilever is quite unusual in its adaptability to emerging and frontier markets. It can teach any of the agencies you mention quite a few things about how to succeed in emerging and frontier markets. Among all major multi-nationals, it has been among the most adept at tailoring its products, its supply chain, pricing and distribution strategy to local needs and constraints. In a way, its success has been marked by a core principle of understanding the unmet need and the usage context and working back to the product and organizational changes that would have to be made to meet the need. A consistent application of this principle of being market-led in both development and in business could, in fact, be of benefit to all organizations that tend to have a top-down philosophy.

CONCLUSION

Private sector enterprises do, indeed, have much to gain from the experience and longer track record of development organizations in emerging and frontier markets. This approach provides a powerful way for businesses to get beyond the orthodoxies and beliefs developed in the core markets in the formulation of an emerging markets strategy.

The fact that such a linkage exists may come as a surprise to some readers. Private enterprises are different from development agencies in at least three ways: they have products that command market prices; they allocate resources on the basis of profit maximization objectives; and they are staffed by people who are driven by monetary incentives. For all of these reasons, one would normally expect that many of the nuanced laws developed through the development experience would simply not apply since the discipline of economics is supposed to lend clarity and result in “rational” outcomes. As we have seen from the preceding discussion, while the laws do not directly carry over, they do provide business strategists several counter-intuitive insights to think about. We also came to the conclusion that the experience of businesses gives the development community much to think about as well. All in all, it is important to note that emerging markets can be a submerging experience. Even for organizations that feel they can walk on water elsewhere, it is best to follow in the wake of others who have been waist-deep for decades.