



**IBM World Development Initiative**

**Chicago Microfinance Conference**

**Technology Panel**

April, 2008



# World Development Initiative (WDI) Overview


## WDI Mission

"Leverage IBM's leadership to develop innovative and commercially viable technology solutions that can improve the lives of the world's poor."

- Leadership initiative founded in December 2006 with 200+ volunteers
  - **Self-organized around common values**
  - Predominantly 25-35 year-old, high potential employees with fewer than 5 years with IBM
  - 4 Distinguished Engineers, 4 Vice Presidents, 1 Rhodes Scholar, and 3 college interns
  - Work above and beyond the demands of their day jobs and around organizational boundaries
  - Current and future leaders of IBM
- The **Base of the Pyramid (BoP)** presents a large, attractive commercial market that aligns closely with IBM's core competencies and values
  - Market issue is not buying power, but inability to reach consumers due to inefficient distribution systems
- Commercial solutions drive development and address needs that government and philanthropy cannot address
- IBM clients are increasingly interested in the BoP
- Developing extensive "knowledge network" and **strong partnerships inside and outside of IBM**

# Focus on Core Values While Adapting to Technological & Market Developments

Pre 1900	1900s	1910s	1920s	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s
----------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------



*“Man now faces the noble challenge of making use of all scientific developments to increase the standards of living, spiritual, and educational opportunities that will enrich the lives of all people, and make the coming ages the greatest in which mankind has ever lived.”*

**Tom Watson Sr., 1954**



what makes you special?



*“IBM’ers are forward thinkers. We believe in progress and that the application of intelligence, reason and science can improve business, society and the human condition.”*

**Sam Palmisano, 2003**

**Focus on Globalization, Integration, and Innovation**

# BoP Market Potential

By 2020, 86% of the world's population will be in less developed countries:

- Population of Africa will double
- India and China will increase population by ~40%
- South America will grow ~30%
- Europe/Russia will decline by ~25%
- North America will demonstrate modest growth

Due to population shifts, BoP markets will become a major market force and are attractive because:

- Estimated market size ~\$5 trillion today and projected growth to \$10 trillion in 15 years. (Note: 2006 U.S. GDP \$12 trillion)
- BoP market ~ 60% of the GDP in emerging economies (e.g., India)
- Potential impact of information and communications technologies (ICT) coupled with innovative business models significant

*"The dominant factor for business in the next two decades absent war, pestilence, or collision with a comet -- is not going to be economics or technology; it will be demographics."*

*-- Peter Drucker, 1997*

Source: Serving the World's Poor, Profitably (Prahalad, Hammond); Andrew Zolli

# Potential Business Model: *Socially Responsible Aggregation Platform*

Virtuous cycle created by targeting economic headroom created by structural arbitrage opportunity; allows room for wealth creation and profit for underserved poor and providers.

Financial Services, Health Services, BPO & Manufacturing, Agriculture, Education

Improve Access

Reduce Economic Penalty

LOCAL STRUCTURE

(Current footprint limiting effectiveness & cause of structural poverty/asymmetry)

Online Banking Solution

(internet)

Internet Kiosk

Water Health International

(mobile phones)

(mobile phones)

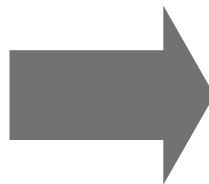
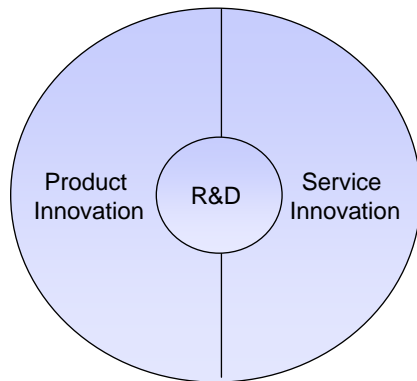
Farmer/User

Farmer/User



# This new model requires innovation but the very nature of innovation is changing

## Innovation – Historical



## Innovation – Future

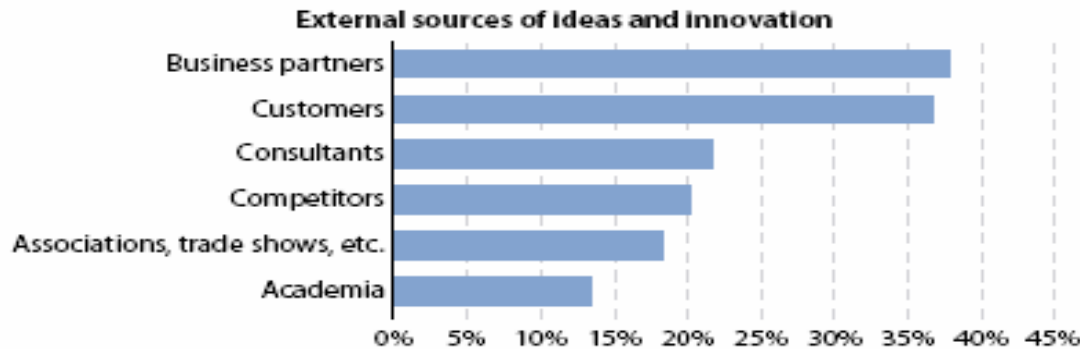


- Focus on Product and Service Innovation
- Development and technology driven
- Central role of R&D function
- Closed and internal to enterprise
- Technology as a differentiator

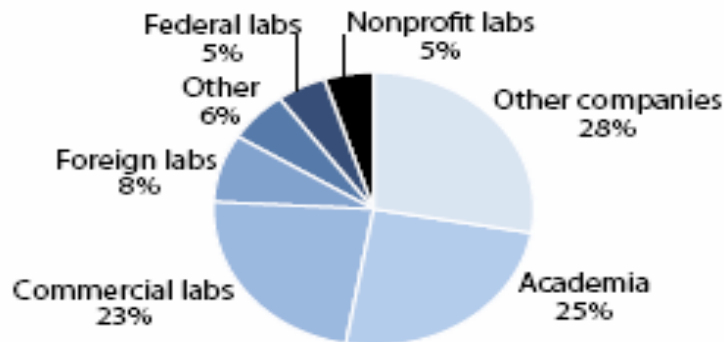
- Broad innovation agenda, including business model
- Research and customer driven
- R&D as a process, key role of leadership & individuals
- Open and collaborative
- Technology and business integration as differentiator

# Increasingly, firms are tapping into co-development as new sources for new products and services ideas

**Figure 2** Innovation-Hungry CEOs Are Casting A Wide Net To Source Ideas



**3-1** Firms increasingly partner for R&D



Base: Major corporate R&D spenders

Source: Dr. J. Duga and T. Studt, "2006 R&D Funding Improves Amid Increasing Restraints," *R&D Magazine*, January 2006

# Initial successes have had three things in common

## Inclusion

Systems for Government, Banks & Local Financial Institutions (MFIs, NBFCs, RRBs, Co-operative Banks, etc.) and grass-root institutions serving the unbanked

Shared platform for end-to-end delivery of entire suite of financial services leading to economies of scale

## Common

## Open

A sectoral venture based on non-brand leaning, non-restrictive and open-to-all technology philosophy

# Certain Waves of Activity Occur as Financial Markets Expand

*Finance, Retail, Government, and Communication Sectors must be more closely linked for success*

