

Terms of Reference HBS Field Studies 2009

Project Title: Enterprise Solutions to Poverty in Financial Products

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Introduction to Enterprise Solutions to Poverty

Launched in 2006, Enterprise Solutions to Poverty mobilizes leading corporations and emerging entrepreneurs to build competitive and inclusive growth strategies that engage millions of low-income people as suppliers, distributors and consumers of asset-building products. ESP focuses on four sectors that have strong potential to incorporate large numbers of poor people in profitable, inclusive business models: agribusiness, decentralized distribution, financial products and profitable social services. Our goal is to double the income and assets of over 50 million low-income people by end 2012. Over the last two years, ESP has mobilized the leaders of over 150 large companies and entrepreneurs in India, China, Mexico and Colombia; with activities in Kenya and Brazil to be launched by year-end. Examples of how leading companies and entrepreneurs are building inclusive businesses with ESP's support and generating growth opportunities for the poor include:

- ITC, Tata Chemicals, Mahindra and Reliance are engaging millions of small vegetable and dairy farmers in India directly, cutting out middlemen and providing direct technical and financial inputs that greatly increase the productivity, market access and income of these farmers.
- Bimbo, the world's second largest baker, and Fincomun, Mexico's second largest microfinance institution, are working with ESP to roll out microloans, health and life insurance, and saving products to the 600,000 mom and pop retail stores in Bimbo's distribution system.
- In China, ESP is working with China Mobile, HSBC, and local financial institutions to apply innovations in technology and distribution to rural finance.

Role of MBA students. ESP supports the buildup of inclusive business models by mobilizing the talent of MBA students from top schools in the U.S. and the focus countries to undertake live cases, company and industry analysis, and internships with leading companies and ESP entrepreneurs. In 2007 and 2008, ESP mobilized over 200 MBA students in field studies and internships from Harvard, Wharton, MIT and the top business schools in the focus countries. In March 2008, student teams presented their analysis to the industry leaders of the 16 ESP Innovation Groups in India, China, Mexico and Colombia. In the January to April 2009 period, 16 HBS-based ESP Field Studies will be conducted, four each in focus country on agribusiness, decentralized distribution, financial products and profitable social services.

These ESP field studies and internships provide MBA students with:

- Direct experience with top management of leading companies in emerging markets, leaders who are building often disruptive business models with the potential to engage millions of poor people.
- Experience working with Enterprise Solutions to Poverty, which is at the cutting edge in building and backing private sector inclusive business models and a new breed of for-profit social entrepreneurs.
- The opportunity to have real impact on the strategies of leading companies and on the lives of poor people.
- Exposure to alternative career paths in private sector solutions to poverty and for-profit social enterprise—and to the leaders in new movement.

Composition of ESP Field Study Teams

Four field studies on financial products will be conducted, with one team for each ESP focus country – China, India, Mexico and Colombia. Each team will be comprised of three to four students from HBS, KSG and/or MIT. Faculty advisors will make the final determinations regarding cross-registered students to ensure effective team coordination and faculty evaluation. Each team will work on the project under the guidance of its faculty advisor from Harvard Business School, Nancy Barry and other members of the ESP team. Teams will meet with faculty advisors bi-weekly and with ESP monthly in person and/or by Skype.

Parallel MBA teams from the top business schools of the four focus countries will carry out related studies, but with separate deliverables. These teams will be from IIMA in India, CEIBS in China, IT Monterrey EGADE in Mexico, and Universidad de los Andes in Colombia.

Each HBS country team will work independently, with its own deliverables. Individual teams will be encouraged to exchange information with the other HBS financial products teams working on other countries, and with the local MBA teams. ESP will provide a wiki-type site to facilitate information sharing across teams. The following chart provides the desired composition of the HBS teams and the faculty advisor for the four HBS financial products field studies. In March, each team will work closely with the parallel in-country MBA team to prepare synthesis PowerPoint presentations, which will be presented to industry leaders in the ESP Innovation Groups during Spring Break.

Financial Products Teams

FOCUS COUNTRY	HBS-BASED TEAM		
	<u>Students</u>	<u>Special Requirements</u>	<u>Faculty Advisor</u>
China	3 to 4, HBS, KSG, MIT	Mandarin by half of team	Peter Tufano, Lead Faculty Advisor, and Shawn Cole, Ramana Nanda, Nava Ashraf
India	3 to 4, HBS, KSG, MIT		
Mexico	3 to 4, HBS, KSG, MIT	Fluent Spanish by all team members	
Colombia	3 to 4, HBS, KSG, MIT	Fluent Spanish by all team members	
Total	12 to 16 students		

Key Areas for Analysis-Technology and Distribution Systems for Multiproduct Microfinance

MBA teams will work with three to four leading financial intermediaries that are members of the ESP Innovation Groups on the key areas outlined below. The focus of the Field Study will be on how to best use alternative technologies and distribution systems to roll out multiproduct offerings in microfinance, moving from a focus on microcredit delivery to customer-driven microfinance offerings. The following issues have been identified by industry leaders as key to creating cost effective access to financial services that build the income and assets of poor people in rural areas and urban slums:

Review and analyze global and in-country innovations in delivery systems for multi-product offerings in microfinance for low income enterprises and households, including enterprise loans, savings, insurance, housing finance and micropensions. The team will analyze existing examples of the following innovations in country:

- Use of retail “mom and pop” stores as non-bank agents of financial institutions, selling microfinance services to and through these retail entrepreneurs.
- Use of technology platforms—client-focused databases, MIS systems, back office systems – to enable customer-focused multi-product offerings at lower costs Foundation.
- Use of technology for customer interface including internet kiosks, farmer credit cards and cell phones as delivery systems for multi-product offerings.
- Introduction of financial services beyond consumer finance by consumer goods retailers.
- Value chain financing of suppliers by large companies and collaborating financial institutions.

Analyze each model and other innovative distribution systems identified by the team. For each, assess:

- Actual and potential cost advantages of the new technology or delivery system relative to traditional costs of providing microfinance.
- Actual and potential costs and benefits to the company providing financial services.
- Actual and potential benefits to low income customers in terms of access to and costs of accessing microfinance.
- The challenges and risks in introducing the new technology and distribution system for the company offering the financial services.
- The rollout costs and key success factors in introducing the new distribution system
- The rollout costs and key success factors in introducing each new product: enterprise loans, savings, insurance, housing, and micropensions.

Assess the following:

- Why some banks and MFIs have been much more successful than others in rolling out a range of microfinance products beyond microcredit.
- Which intermediaries and channels are more likely to enable broad based, multiproduct offerings.
- What these promising intermediaries and channels will need to do well if they are to succeed in providing cost effective, quality financial services to millions (or hundreds of thousands) of low-income people.

Make recommendations to the partner financial intermediaries and to the microfinance industry as a whole on:

- Relative advantages of different distribution systems, and key success factor in making them work.
- Relative advantages of different technology solutions for the efficient delivery of multiproduct offerings in microfinance.
- Key success factors in rolling out multiproduct offerings and shifting from product silos to a customer focused strategy and set of product offerings.

Expectations of MBA Teams

Most team members are expected to visit the country for 8 to 10 days, from December 30, 2008 to January 9, 2009. During this period, team members will:

- Spend two to three days meeting with CEOs of leading companies engaged in ESP from a range of sectors, with other Boston-based and local MBA students participating in ESP Field Studies and with a member of the ESP management team.
- Spend three to four days with the partner companies engaged in the financial products field studies to update or originate the live cases, to meet with senior managers who will serve as the key contacts for the field studies, to gather data and to begin the analysis on the three key areas.
- Spend two to three days interviewing at least 10 microfinance clients and other intermediaries with successful microfinance and rural distribution systems.

In addition to the December-January field trips, at least one team member is expected to travel to the focus country to participate in the March ESP Innovation Group meeting to present the team's cross-cutting analysis of the three themes and to complete the field research.

Funding Support

Second-year HBS students can apply for field study grants to cover eligible travel-related expenses. Teams with two or more HSB students determined to be eligible for funding will receive up to \$2,000 for a field study. Teams with one HBS student will be considered under the terms of an ISR and may be eligible for funding of up to \$1,000. Teams may request additional funding, which will be determined when their final budget is reviewed and approved in February. Students traveling before the field study registration deadline of January 14 will submit approved expenses once their final budget is determined in February.

Process for students to apply for funding:

- Students apply through field study grant application, and must meet all criteria and follow all grant processes: <http://www.hbs.edu/socialenterprise/fieldstudies/funding.html>
- Line items not covered on the website will be decided on a case-by-case basis by SEI.
- Teams with just one HBS team member will be considered an ISR project in terms of grant funding.
- In addition to other team related expenses, student teams are responsible for meeting related costs. Costs for these arrangements (if applicable) can be covered through field study grants and should be included in the student budget proposal.

ESP is working with KSG to secure funding for travel of ESP Field Study participants. MIT students are responsible for securing their own funding for these field trips.

Deliverables. Each team is expected to produce the following deliverables:

- **Updates of ESP live cases** on the partner companies in this field study, or if live cases are not available, origination of an 8 to 10-page case, with attachments, in the format provided by ESP, to be finalized and approved by the companies by end April.
- **A PowerPoint presentation** on cross-cutting analysis, generated from analysis of the companies, industry analysis and business models, and analysis from other country teams, to be presented during Spring Break by team representatives to industry leaders who are members of the ESP Innovation Group on Agribusiness. Ideally, this PowerPoint presentation will reflect the work of both the Boston-based and the local MBA teams. Alternatively, two presentations will be made.
- **Memos to the companies**, of about 8 to 10 pages each, on recommendations in the key areas of analysis. Memos will be first vetted by ESP and finalized by end April.

Organization of the Field Studies

The “clients” of the financial products field study teams will be Enterprise Solutions to Poverty and the ESP Innovation Groups, comprised of CEOs and top managers of the leading companies who have built or are building competitive and inclusive business strategies in the focus countries. The following chart provides the companies likely to be engaged as partners in the ESP Financial Products Field Studies. ESP is vetting the participation of these companies, selecting those which are committed to provide the needed data and participate actively.

Some Members of the Emerging Innovation Groups on Financial Products – Likely Partner Companies

INDIA	CHINA	MEXICO	COLOMBIA
Sewa Bank	SDR	Bancos de Mexico	Bancolombia
ICICI Foundation-IFMR	HSBC	Fincomun/Bimbo	Bancamia
BASIX	CBRC-RCCs	Banregio	Banco Caja Social
Share Microfin	China Mobile	Banco Azteca	Bancoldex, Banca de las Oportunidades
SKS/Spandana	CFPA	HSBC	Suramerica
Axis Bank/Yes Bank	Post Office Bank	CEMEX	FELABAN
Reliance/Mahindra		NAFIN	

All participating students will agree to treat all company information on a confidential basis, with live cases and other documentation published only once vetted by ESP and approved by participating companies.

Professor Peter Tufano will be the lead faculty advisor supervising the financial products field studies. All participating students, from HBS, MIT and KSG must take the field study for credit. Each student is responsible for making the needed arrangements with the registrar and with the faculty advisors.

Commitments by Enterprise Solutions to Poverty

NBA Enterprise Solutions to Poverty will provide the following to ensure the success of the Field Studies:

- Live cases on most of the participating companies, prepared by MBA students, vetted by ESP and approved by the companies.
- PowerPoint documents of last year's 16 presentations to the 16 ESP Innovation Groups in the four countries, synthesis PPTs, and results of all past field studies posted on the ESP wiki site.
- Introductions to key senior management contacts in the participating company.
- Monthly meetings with ESP President and other managers, and timely response and trouble shooting via email.
- Templates for Work Plans and Live Cases, and guidelines for PowerPoint Presentations and ESP memos to companies.
- An ESP Wiki type site to facilitate meeting arrangements, document posting, information sharing and communications within and across teams.
- Background documents on the industry and all past ESP live cases and industry analysis.

Key Dates for Field Studies

ACTIVITY	DATE
First deadline for application for ESP field studies. (Students traveling in early-January must meet this deadline and ESP will give preference to HBS students able to travel in January)	November 14, 2008
Notification by ESP of students selected in the first round	December 1, 2008
Second deadline for application for ESP field studies, if space is available.	December 28, 2008
Notification by ESP of students applying in second round	January 7, 2009
Final deadline for field studies registration at HBS	January 14, 2009
Notification of final composition of each team	January 16, 2009
MBA Teams and ESP meet with private sector leaders and carry out intensive work with companies in country	Dec 31, 2008 to January 9, 2009
Team presents work plan with responsibilities allocated (template provided by ESP)	January 15, 2009
Deadline to apply for the HBS Social Enterprise Field Study/ISR Project Reimbursement Grant Program <i>**The deadline to register for an HBS Field Study or ISR is 8:30am on the second class day of term.</i>	February 4, 2009
PowerPoint drafts for ESP Innovation Groups presented to ESP	March 10, 2009
Review meetings with student teams, faculty advisors and ESP	January 29, 2009 (reports on company visits, finalization of work plans) February 26, 2009 (draft company reports, with gaps highlighted) March 12, 2009 (PPT for IG meetings) April 2, 2009 (cross country comparisons, remaining deliverables)
PowerPoint presentation presented to private sector leaders in ESP Innovation Groups in country by MBA teams; company analysis completed. Completion of field work.	March 21 to 28, 2009
Final company memos, live cases, and cross country PowerPoint, already vetted by ESP, presented to Faculty Advisors.	April 22, 2009
ESP Party in New York	May 30, 2009

Application Process

Students are strongly encouraged to apply before November 14 to NBA Enterprise Solutions to Poverty esp@nancybarry.net for these ESP Field Studies, to enable selection by December 1. Applicants must meet the language requirements for the Field Studies. Applicants should submit to ESP a short motivational statement, a bio, the student's top three preferences among the 16 field studies (four countries, four sectors), and the student's commitment to travel in either January or March for the field studies.