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DEVELOPMENT**

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When Coimbatore Krishnarao Prahalad, a distinguished professor at Ross School of Business, started writing his book, he had no idea how grand of an impact his book as going to have on the business world.

During the time of this publication there as a major transformation in public opinion on poverty issues which were spearheaded by Nobel Prize winner Muhammad Yunus and the creation of the Bill and Melinda Gates Foundation. The main goal from all these people was to show that a change was needed and that fighting poverty can be done in a more efficient and profitable way. Although he is communicating this message to the proper audience, Prahalad admits:

“(at that time) The preposition that the private sector had a critical role to play in alleviating globally poverty was generally meet with skepticism”

The idea that gave way to writing the book began in a working paper, “The Strategies for the Bottom of Pyramid”, which the author had produced with his colleague, Professor Stu Hart. At the time it was considered too radical for publication by journals; however, a number of managers at Hewlett-Packard, DuPont, Monsanto and others read it on the internet and accepted its premise. Widespread discussions and acceptance came with publication of other Prahalad’s articles, “The Fortune at the Bottom of the Pyramid” in Strategy+Business (January 2002) with Stu Hart, as well as “Serve the World’s Poor Profitably” in the Harvard Business Review (September 2002) with Allen Hammond.

As time passed Prahalad’s thesis -eradicating poverty through profits- seemed more tangible and widely recognized that it originally had been five years ago. This anniversary edition contains the original text. It also includes some new chapters that outline the progress in the bpo agenda since its publication in 2004, important CEO’s reactions to the bpo idea and the commentary from these CEO that appear in the cases studies provided.

The main thesis discussed in the book by professor Prahalad is this idea of creative capitalism. This term was first explained by Bill Gates as a system

Book review:

The fortune at the bottom of the pyramid: Eradicating poverty through profits

By C.K Prahalad

that would have a twin mission: making profits and also improving lives of those who don’t fully benefit from today’s market forces. In his own words Prahalad defends that:

“There is the growing recognition that marring local knowledge of the nongovernmental organization, with global research of the multinational firm can create unique and sustainable solutions. Needless to say, the private sector cannot solve all the problems but can bring technical and financial resources, the disciplines of organizations, accountability, an entrepreneurial drive to be a on the problems.”

As with the original book, this edition is broken up into six chapters in order to effectively convey his thesis. The easy reading style of the book allows the reader to understand the magnitude of the market and more importantly, it shows how billions of people lives improved and how sustainable development is possible as the same time as companies make important profits. As professor Prahalad explains:

“My journey was to understand and motivate large firm to image and act on their role in creating a more just and humane society by collaborating effectively with other institution.”

The first idea Prahalad presents is a Win-win situation, a co-creation of value. In his own words, the author explains that:

“What is need is a better approach to help the poor, an approach the involves partnership with them to innovate and achieve sustainable win- win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable”

Even though this may be seen like an unrealistic idea, the real strength of the book is that Prahalad’s studies reveal quite the opposite and that this real trend is taking place in countries like Brazil and India.

The second idea is the new vision that the

author gives to consumers at the bop. Prahalad argues that the process must start with respect for the bop consumers as individuals. This revolutionary idea shows not only a high confidence in the poor as human's beings able to be protagonist of their own development (which drastically differs from the traditional view of poors as aid receivers), but it also shows the needs of big companies to trust them. As Prahalad defends, the poor must become active, informed, and involved consumers. Poverty reduction can result from co-creating a market around the need of the poor. For this to happen, trust is a prerequisite and the book once again breaks the old mite showing numerous cases in which trust is the key element for business success.

Thirdly, Prahalad defends the idea of democratizing commerce, arguing that everybody must have the right to benefit from globalization. This is another of the pillars of this revolutionary concept:

“Every person can be seen as a consumer; every person can be seen as a producer; every person can be seen as entrepreneur, really everybody can be the protagonist of its own improvement.”

The following idea is in line with another major theme of his book: innovation. As Prahalad explains, the primary task of private sector is often converting unorganized, inefficient local monopolies to an organized and efficient private sector. This cannot be done with the strategies used in developed countries; therefore a completed new and innovative approach is needed.

The author's idea of innovation does not refer only to technology, rather he offers 12 principles of innovation that include a wide variety of aspects, from innovation in price performance to sustainable development or the need of innovation in both process and distribution. All examples in the book challenge the conventional wisdom of a business model and include an innovative approach in one or many of its process.

Prahalad's fifth idea of thesis addresses the necessity and urgency of a *market-oriented development* that is needed in order to develop these countries. As he explains, a new way of thinking is needed as:

“The evolution of US economy during the late 19th century might not be good basis for prescription on how Brazil or South Africa should develop”

His positive vision is also seen in the fact that he does not criticize anyone's job or ideas. He just wants everyone to collaborate in the area in which they have the best know-how. The reader can see how this belief is increasing as certain countries are moving away from aid focused efforts on infrastructure, education

and health, and move towards a belief that private-sector involvement is a crucial ingredient to alleviate poverty. The book provides real case examples that show Public Private Partnerships (PPP) with extremely successful results, as with the Hindustan Level Ltd Soap case. This case shows how Hindustan Lever Ltd. is helping to reduce infectious disease as the same time it improves soap sales, while helping to solve a problem that kills 2.2 million people every year. by teaching and demonstrating the benefits of hand washing through both UN and branded programs that reach into the villages

Prahalad also points out one of the main problems for this market development is corruption. He argues that the capacity to facilitate commercial transactions through a system of laws fairly enforced is critical to the development of the private sector. Therefore the professor exposes his idea of Transaction Governance Capacity (TGC), underlying its importance and explaining that most developing countries do not fully recognize the real costs of corruption and its impact on private-sector development and poverty alleviation.

Prahalad's thesis supports the need of a *new thinking*. The bop challenges the dominant logic of MNC managers. For those readers too optimistic about the opportunity of a large company to make profits at the bop, Prahalad points out that:

“Being a multinational or a large domestic firm does not guarantee success: the capacity to adapt and innovate at the bop does.”

Far from being an academic book, and even though it counts on a variety of data and real cases studies, which make it very convinced, this is a business strategy type of book. Readers will find this book well and with memorable slogans like: “Do well and do good “-

This book is concerned with what works. The book is written for those interested in poverty, with an entrepreneurial spin that is not just for academics, but also for business people, MBA students or CEOs. Finally, a especial mention should be made about the cases and the CEO letters in the last chapter. The former were made by Prahalad's MBA students include the rationing of the book of some of the most powerful business man in the last decades. It might not be new to hear Bill Gates saying the great opportunity of creative capital or a new way to edge poverty, but when you read more than a dozen top CEOs in the world saying the same, you start taking into account this revolutionary idea that has potential to change the world.

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