

THE FORTUNE AT THE BOTTOM OF THE PYRAMID

C.K. PRAHALAD

This book introduces a third player into the field of poverty eradication. Charities and governmental agencies have traditionally borne the responsibility for aiding the poor, but Prahalad says for us to make way for business, big business. His reasoning is simple; there is money to be made there. The very magnitude of the world's population living on less than two dollars a day make it a market business cannot afford to ignore any longer. All business benefits when people climb the first few rungs on the economic ladder; so why not accelerate the process? Enlightened self-interest requires it. As business gets involved it brings innovation and efficiency to the antipoverty efforts. Business will not replace other efforts, but must work closely with governments, NGOs, development agencies, civil society and the poor themselves.

To say the least, business and antipoverty efforts is an awkward and unlikely alliance. Business has been, historically, no friend to the poor. In fact many business practices have injured the poor and exploited them. While acknowledging this, Prahalad thinks that the worst thing that business has done to the poor has been to ignore them. It is now recognized that there is money to be made at the bottom of the economic pyramid. Universally, the poor pay a "poverty penalty" in the form of higher prices for goods and services than the rich. Lots of money is made off the poor because of exploitation, ignorance and lack of options. Financial services is good case in point. Loansharks earn 600 to 1,000% on loans to the poor; a bank could turn a tidy profit charging 25% interest even if the risk factor were higher, which it isn't (well run microfinance institutions have a 96% repayment rates on unsecured loans).

What is abundantly clear is that business as usual will not do the job. The first step, as in any business venture, is to understand the market you plan to enter. The market at the bottom the pyramid is not as removed from the rest of the pyramid as has been assumed. The poor have money, they are connected to the rest of the world, they are brand conscious and they readily accept technology (in fact they are proving to be remarkably adept at using it.). The conclusion is that business involvement is needed, possible but difficult, requiring different products, approaches, plans and methods. Because it will be difficult, business will have to allocate some of its best talent to work on it (some multinational corporations are already doing this).

The book is divided into two parts—what needs of be done and what is being done. Prahalad teaches at the University of Michigan school of business, and he takes very seriously both the problems and the opportunities at the bottom of the pyramid. One of the problems he addresses is corruption. It is like the weather, everybody talks about it but no body does much about it. He discusses the methods of a reform-minded governor or a province in India who used technology to cut influence peddling and graft out of real estate transactions without changing one law. It is fascinating and his major point is that corruption can be fought only from the top and technology can help.

The twelve case studies detail successful innovations at the bottom of the pyramid. The cases include financial services, energy, agriculture, health care, housing, personal care and retail ventures in four countries. These case studies show how business can be done at the bottom of the pyramid and that it is no mystery—requiring vision, leadership, new perspectives and approaches. For pragmatic souls who like to know how theory translates into practice, the second part of the book is most enjoyable and informative. No extravagant claims are made for business' ability to eradicate poverty, but enough is demonstrated to make one consider it as a lively possibility. It is clear that it will not be easy for business to function in the bottom of the pyramid market, so predictably progress will be slow but well worth watching.

Reviewed by Del Olsen