What, if anything, can capitalism do for the poorest people in the world? Or, are the poor by definition to be excluded from the ambit of the free enterprise system? Can there be such a thing as ‘inclusive capitalism?’ It is in an attempt to answer questions such as these that C K Prahalad began to wonder if there were other solutions (than those that had already been attempted by both governmental and non-governmental bodies) to the persistence of poverty in the modern world. When Prahalad began to work on this problem in 1996, it appeared that poverty was here to stay and that it could, at best, be alleviated by aid agencies. These interventions, however, ran the risk of depriving the very poor of their dignity since they were often no more than subtle forms of alms giving. The only real, sustainable, long-term solution seemed to be ‘the idea of large-scale entrepreneurship,’ but this was easier said than done.

When Prahalad and Stuart Hart began to pitch the idea that consumers who lived at the bottom of the economic pyramid should be treated as ‘individuals’ who could be brought into the picture as ‘co-creators’ to solve their own economic problems, they were treated with disbelief by the academic community. The traditional idea that the poor will always be ‘wards of the state’ was hard to shake-off. The embryonic form of this book was a working paper by Prahalad and Hart in 1997. Though the paper did not immediately find a publisher, it managed to influence managers in several multinational firms to at least set up a venture fund to explore opportunities at the bottom of the pyramid (BOP). Prahalad later collaborated with Allen Hammond to take this idea further. So, by the time these ideas were published in influential academic journals in 2002, they had already made a mark. The discussion had moved from whether, in fact, there was a market at the bottom of the pyramid to how firms could get there.

This book is a very human record of the journey made not only by Prahalad, his colleagues, students, and fellow workers at the University of Michigan and elsewhere, but, more importantly, by the poor whose stories represent the case material included in Parts II and III of this exemplary volume. Not only does the book begin with a theoretical framework, it also develops ideas that Prahalad and Venkat Ramaswamy had co-created in their book, The Future of Competition (HBS
Press, 2004). The 12 cases that follow in Part II (along with a supplementary video CD filmed in India and Latin America) in Part III focus on the modalities of developing a market for the very poor without making compromises on product or service quality. These cases further the argument that Prahalad and Ramaswamy had made earlier in *The Future of Competition* on both the ethical and economic necessity of moving away from the model of value extraction in transactional economics to forms of value innovation that characterize what Prahalad terms ‘inclusive capitalism’ in this volume.

In that sense, this book is not only an attempt to rethink the idea of marketing to a hitherto neglected segment but a redefinition of the very idea of a market. It argues that we finally have the wherewithal to move beyond the constraints of the Pareto principle (which would argue that if 80% of value can be extracted from 20% of the customers, then the rest do not really matter from a purely marketing point of view). This book, however, is about the possibilities of marketing to the bottom 80%—an idea that has little cachet in traditional economic theory, but one made possible if large-scale innovation and entrepreneurship become the new coordinates of economic activity. This is not an attempt to search for a new market segment but an ethical call to think beyond the given assumptions of segmentation in marketing theory.

In other words, the problem of scalability is the key to the fortune at the bottom of the pyramid. That is why it is not enough to think of this book as a new theory of marketing per se. It is a new theory, yes, but it is also (as the subtitle points out) an attempt to eradicate ‘poverty through profits.’ That is why it can be read as a new theory of capitalism. It is an energetic attempt to move from an exclusive to an ‘inclusive capitalism.’ In this new model, the market becomes synonymous with participation in civil society. The ability to consume (in however modest a way) becomes an index of the dignity and choice that a well-functioning market should afford its citizens in the free enterprise system. Since the invisible hand of the market does not seem to do so on its own (content as it probably is to work through the extraction of surplus value), we need to work out the principles of innovation that can make this happen. These 12 principles of innovation constitute the underpinnings of Prahalad’s theory of ‘inclusive capitalism.’

Prahalad begins rather modestly by calling for a new framework to alleviate poverty. The market size of those defined as poor is a staggering four billion. These people may live on less than $2 a day but are nevertheless imbued with aspirations for a better quality of life. They are the protagonists of Prahalad’s new market at the bottom of the pyramid. If the market can offer these four billion people affordable choices and the self-esteem that will come from exercising those choices, we will witness nothing less than a reinvention of a market-led social transformation in our time. Prahalad, let us remember, is not merely calling for such a change. In a sense, he is reporting the advent of such a change at the bottom of the pyramid. The articulation of his theory is, in a sense, co-eval with profound transformations at the bottom of the economic pyramid. His tone of voice embodies the joy that he experiences at his discovery of the BOP and also the market’s simultaneous discovery of the BOP. But, as he makes it clear, the urgent task is to move away from seeing the poor as a mere ‘constituency’ for our theoretical and practical interventions to seeing them as ‘co-creators’ of their own destiny.

Before setting out the 12 forms of innovation that will make it possible to operate in such a market, Prahalad begins with a description of this market. What are the attributes of this market? Why has this market remained in the shadows for so long? What sort of changes will be unleashed by the opening up of this market? Prahalad argues that the traditional neglect of the BOP market is rooted in certain false assumptions. These assumptions include the following: the poor have no purchasing power, access to distribution channels in this market is very difficult, the poor are not sensitive to brands, the poor are not connected to communication networks, and that the poor resist new technology. As an opening move to make his case for the BOP market, Prahalad knocks down these assumptions by showing that they are myths and not rooted in the realities of the market. If the income of the very poor is understood in terms of purchasing power parity, then they are not as poor as they are made out to be. Both in terms of sheer numbers (four billion) and in terms of market size, they represent a market worth trillions of dollars. Besides, the poor pay what Prahalad calls a ‘poverty penalty’ since they live in ‘high-cost ecosystems’ in the developing world. Dwellers of shanty towns and slums are subject to the excesses of local monopolies including exorbitant rates of interest since they cannot access the formal sector as economic actors. They, however, will be able to ap-
proach the formal sector and repay their loans if they are given the opportunity to escape the debt-traps in which they find themselves. In other words, the poor are not the credit risk that they are thought to be.

And, again, distribution access to the poor need not be as difficult as it is made out to be since there is sufficient population density to justify marketing efforts. Hindustan Lever has already demonstrated this through Project Shakti which has set up distribution networks by training entrepreneurial women from villages to serve as both educators and distributors. Avon is another company that used such an approach to sell cosmetics successfully in Brazil. So, what the ‘Shakti Ammas’ and ‘Avon Ladies’ have in common is not just their ability to expand income and consumption by using their entrepreneurial abilities. They are instead trying to fundamentally change their economic and social standing in the community; many enjoy a new sense of self-esteem and feel sought after for advice by fellow villagers. It is also incorrect to assume that the poor are not brand conscious: the inability to buy branded goods under the current model of consumption is not tantamount to indifference on the part of the poor. Retailers of consumer durables like Casas Bahia in Brazil and Elektra in Mexico demonstrate quite overwhelmingly that if a trustworthy payment model is in place, the poor prefer branded goods since they too hanker for quality and a higher standard of living. The poor are also better networked than before because of the rapid expansion in wireless services and the innovative possibilities of the internet. Celebrated instances include the use of cell phones on the high seas by rural fishermen from Kerala to negotiate the price of their catch even before they return to the shore and the new-found ability of farmers to check the price of agricultural produce by accessing the website of the Chicago Board of Trade (thanks to the e-choupal scheme developed by ITC to cut out the role of the inefficient mandis in the procurement process).

Since the poor are not saddled with legacy systems, it may even be easier for them to adopt the latest technology since the pay-off is quite immediate. The rapid spread of cell-phones, computers, and PDAs amongst the poor is proof of this. There is then enough evidence of the existence of a vibrant market at the bottom of the pyramid. There is also sufficient incentive for the private sector to help develop this market by setting in place financial arrangements to help the poor pay for goods and services in the new market. The mechanisms of this new market have not only been envisaged but are already being implemented, in some cases, by the pioneers of the BOP economy. Prahalad has set himself the task of developing a coherent philosophy to justify and accelerate this process of innovation to increase the supply of goods and services for customers at the bottom of the pyramid.

The main objectives of this book are to celebrate and kick-start further efforts in this direction through not only 12 excellent case studies but to also understand the role of large-scale innovation in developing a framework for poverty alleviation. Some of these cases, interestingly, have gone beyond the ambit of management studies due to the amount of media interest that they have generated. They include several cases from India including that of Annapurna salt, the Jaipur foot, the e-choupal network, the Aravind eye-care system, Andhra Pradesh’s experiments in e-governance, etc. There are also cases from Brazil and Mexico featuring attempts at providing consumer durables and low-cost housing for the poor. In addition to the publicity generated by media reports, these cases are also getting to be well-known through word of mouth. While these are only a selection of some of the best cases written on the theme of BOP, it is only a matter of time before the economic revolution unleashed by the new forms of innovation will force management educators to expand the ambit of the traditional case study since these cases combine the traditional concerns of business policy with those of social entrepreneurship and innovation. The video archive that is being developed by Prahalad and his associates at the University of Michigan is also a step in that direction. Brief video samples from the archive are included in the CD that accompanies this book.

The 12 principles of innovation that can offer us a framework for developing the BOP market are the following: alterations in the customary price-performance relationship; the hybridization of technology for deployment in harsh environments; the scalability of innovations to make it accessible to a large number of people; the quest for sustainable and eco-friendly solutions since developing economies cannot afford the resources necessary to process industrial waste; the development of alternate forms of functionality; process innovation to reduce costs and increase the scale of operations; deskilling work to accommodate the uneducated and the
untalented; the education of customers to new economic possibilities; the development of robust designs for hostile environments; creative interface design to make technology accessible to the poor; the innovation of new distribution systems for low-cost products; and, the willingness of all the relevant economic actors to move into the new BOP paradigm.

The traditional price-performance relationship does not work at the BOP since what is required is not a marginal decrease in prices but a many-fold decrease (of 30 to 100 times). Less sophisticated versions of technology will not suffice in this market since robustness becomes a key requirement. Hindustan Lever’s attempt to eradicate iodine deficiency disorder through ‘the molecular encapsulation of iodine in salt’ is an example. This innovation won Unilever a new patent and addressed an endemic health problem in the Indian market. But, what will it mean for HLL to scale up its operations to address similar problems in the countries of Africa? Can it be done? If so, in what time frame? Technological innovations must not only be robust but scalable. Given the sheer number of people at the BOP, solutions must also be eco-friendly. The BOP cannot produce the amount of waste that is characteristic of developed nations. Products must also be designed differently since the functional considerations are very different at the BOP. The Jaipur foot, for example, is not merely a prosthetic device but one that must be usable by a poor farmer who will need to walk or stand on wet surfaces for a considerable period of his working day. Process innovations are also called for: the Aravind eye-care system for the mass treatment of cataract patients was inspired by the process design of McDonald’s. The standardization of the process flow of patients reduces slack to a point where a surgeon in this system can operate on nearly 50 patients a day. It is again process innovation that lies at the heart of Amul’s success since despite the decentralized system for the collection and payment for milk from villages on a daily basis, it has emerged as a leader in both milk processing and in the manufacture, branding, and distribution of milk-based products.

The expansion of job opportunities at the BOP must involve deskilling given the lack of education amongst its members. A resonant example is the ‘device-agnostic system’ created by Voxiva to monitor disease patterns in the isolated, mountainous environs of Peru. In this system (which substitutes for a high-cost telecommunication network to diagnose diseases), health workers are equipped with picture cards that depict different stages of a disease. All that they have to do is to compare the picture on the card with the state of the patients and call health officials in Lima on a telephone with a diagnosis. Both the diagnosis of disease severity and the surveillance of disease patterns were handled at low-cost through this deskilled model. The education of customers must also be an ongoing effort. Aravind uses eye-camps that are well-publicized to draw patients to its eye-care system. Traditional methods of advertising through the media may not necessarily be suitable since ‘more than 40 per cent of India is media-dark.’ Furthermore, while these customers are open to persuasion, they are stuck in difficult terrain with inadequate infrastructure. When ITC decided to set up its e-choupal network to facilitate a better system for agricultural procurement, it had to contend with the erratic supply of electricity, bad telephone lines, etc. It was not until they were able to use solar panels to generate the electricity, build in surge protectors in the computer system, and seek recourse to satellite networks in place of inadequate telephone lines that the system could become operational. These systems also require the kind of interface design that the illiterate can work with.

These principles of innovation open up a global opportunity worth trillions of dollars and represent nothing short of a new ‘ecosystem for wealth creation.’ The 12 cases included in the book represent success stories that have already been documented but many more cases are waiting to be written. This book is an invitation to join in the journey of wealth creation at the bottom of the economic pyramid. What it offers is not only intellectual excitement at the confluence of strategic and marketing theory but the ethical satisfaction of harnessing the endless possibilities of innovation in social entrepreneurship. Prahalad’s wager is that unleashing the economic possibilities at the bottom of the pyramid will not only lead to a new ecosystem of wealth creation but help developing economies to reduce corruption by building ‘transaction governance capacity.’ Only then can developing societies build ‘a transparent market for capital, land, labour, commodities, and knowledge’ that is necessary to liberate them from the paradoxical situation to which Hernando De Soto first called attention to: ‘asset-rich,’ but ‘capital-poor.’ By freeing these assets and by putting in place governance processes based on transparency and the sanctity of contracts, the BOP will benefit from the redistribution of incomes sufficiently
Organizational Culture in Action: A Cultural Analysis Workbook

Gerald W Driskill and Angela Laird Brenton
CA: Thousand Oaks, Sage, 2005, pp 228, $32.95

How can an organization be made more effective? Driskill and Brenton argue that one of the ways to make an organization more effective is by bringing about desirable changes in its culture. Though there are several attempts to describe organizational culture in the literature, most of them fall short of explaining the basics of cultural analysis to a beginner. In the absence of concrete frameworks or guidelines, observers of culture generally work with heuristics or follow some method based on the experiences of self and/or others. The research methods used in the book are mainly qualitative; they provide the flexibility necessary to make contextual alterations. The authors use this flexibility to their advantage by taking the reader through a maze of cultural concepts.

The book has four parts; it is arranged as a learning ladder. These parts are titled ‘cultural analysis planning,’ ‘cultural analysis basics,’ ‘cultural data collection and interpretation,’ and ‘cultural analysis application.’ Each part has rich conceptual descriptions and exercises for the observer of the culture in a target organization. The exercises are context-free, simply worded, and easy to attempt. The only requirement is a keen sense of observation and the ability to articulate the inferences that emerge. The simplistic nature of summaries and exercises makes it enjoyable to read and apply the framework to the situation at hand.

The first part deals with the basics of organizations, the need for cultural analysis, and the theoretical requirements to carry out such an analysis. Driskill and Brenton argue that organizations are all-pervasive and that they shape the lives of their members. In their view, knowledge of cultural phenomena can be used for effecting change in organizations and society. Their definition of an organization, however, sounds devoid of purpose since it focuses quite strongly on the members of the organization ignoring thereby the customary goal-oriented approach of business organizations.

The second part deals with understanding the basics of organizational culture. It lays the foundation of the book and highlights the approach taken by the authors for the conceptualization of culture through qualitative methods. According to them, there are two major approaches to the study of organizational culture. The first is the ‘instrumental approach.’ Here, culture is seen as a variable, i.e., culture determines the productivity of the organization. The other is the ‘root metaphor’ approach where culture is viewed as a process and not as an outcome or a variable. This is the approach taken by the authors to decipher the culture of an organization. They emphasize qualitative methods to gather and analyse data in order to capture the cultural phenomena and organizational processes that can have practical implications. There is sufficient evidence for using a combination of the two approaches to understand an organization’s culture and change it in order to make the organization more effective.

The third part deals with data collection using a variety of methods. The methods detailed in the book provide data in the form of interview transcripts, textual information like notes, memos, reports, etc. Other useful features include illustrations and exercises of content and linguistic analyses. In order to gather data from various sources, Driskill and Brenton suggest that the observer has to immerse himself/herself in the organization to a certain extent. This helps in getting a ‘feel’ of the organization. Immersion in the processes of the organization helps the observer to gather enough information from various sources to triangulate the inferences, make and eliminate rival hypotheses for a con-
clusion, and thereby arrive at conclusions that are both accurate and robust. Content and linguistic analyses of textual data gathered from various sources will help to enhance confidence in the conclusions drawn through triangulation.

For data analysis and reporting, Driskill and Brenton suggest charting various themes that emerge from the data, a combination of which would generate a meta-theme. Here the themes require a coherent and logical arrangement to give a picture of the culture of the organization under study. The data would reveal the history, the rules, the heroes, the values, the communication styles, the rituals, the metaphors, the stories, and finally, the cultural themes. The explanation of this step is particularly useful for new researchers who wish to use qualitative methods of data collection and analysis.

Finally, the authors present five situations where an analysis of organizational culture as an intervening variable would be helpful. These situations are embodied in the problems of workforce diversity, organizational change, leadership, ethical business practices, and organizational effectiveness. This portion also emphasizes the need to integrate the two approaches—root metaphor and culture as a variable—in the study of organizational culture.

One problem with the examples, however, is that they do not spell out the exact modalities for initiating the desired changes in organizational culture. Consequently, the link between organizational culture and effectiveness has not been sufficiently operationalized. While Driskill and Brenton are in favour of an ‘adaptive culture,’ they do not spell out how an organization can build one. This, however, is a problem that is not specific to Driskill and Brenton but is characteristic of the literature on organizational culture as a whole. Though the literature has several cases describing the culture of effective organizations, it is difficult to predict what kind of organizational culture would lead to organizational effectiveness. Analogously, they are also overwhelmed by the role of communication in bringing about organizational change. The implicit assumption made here is that communication per se would take care of the changes desired in the organization.

The book would be much more comprehensive if the authors had also highlighted some of the quantitative approaches that are available for measuring and evaluating organizational culture. Their effort in explaining the processes and laying the guidelines is commendable but, in the process, they seem to have missed out on some highly effective and detailed organizational culture analysis frameworks like Organizational Culture Profile (OCP) and Competing Values Framework (CVF).

This book provides a novice researcher an interesting point of entry to the field of organizational culture by providing a simple analytic framework along with an exposition of qualitative methods. Practitioners stand to benefit from a simple, comprehensive framework presented with ‘to-do exercises’ to understand an organization’s culture. The framework, if applied with due care and caution—as is true for any qualitative study—will lead to a rich understanding of organizational culture. The exercises and guidelines should be quite useful for organizational researchers, students, and practitioners. The book also presents a good review of qualitative research methods in the context of organizational culture; it advocates a simple and methodical approach towards the understanding of organizational culture.

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Information is just signs and numbers, while knowledge involves their meaning. What we want is knowledge, but what we get is information.

Heinz R. Pagels