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C.K Prahalad. (An Essay)

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The Fortune at the Bottom of the Pyramid.

Eradicating Poverty through Profits.

Author; C. K. Prahalad.

Introduction:

In attempting to properly and succinctly write an essay on this highly acclaimed book, *The Fortune at the Bottom of the Pyramid* (BOP) one must look to the expression used in determining the success of the programmes put in place. Examples of this are multiple but under '*The Real Test: From the Pyramid to the Diamond*'¹ one sees the outcome of proof testing poverty alleviation. Although the Ratio decidendi² of the book to me is this Pyramid to Diamond transformation it may not have been that obvious to others. Nevertheless if one needed further proof then there is no need to look any further than the sub-title of the book; '*Eradicating Poverty through Profits*'.

Without doubt this tome is groundbreaking and the purpose of this strategy is to prove to businesses that profits can be made in the 3rd World³ other than by stripping natural resources or taking advantage of lax environmental legislation. But instead in this work C. K. Prahalad uses his extensive knowledge and research to demonstrate that by involving as completely as possible local populations that profits can be made. In the 3rd World particularly as urbanisation is developing a natural phenomenon is volume of sales and services in a reasonably defined area.

By setting up micro entrepreneurs and allowing a certain amount of micro-finance the impetus for growth in sales is developed by added education programmes for locals. Even without urbanisation this is possible as demonstrated by farmers who by their very nature are rural and can conduct their business if world-class technology is available to them. This essay will attempt to define the topic of BOP opportunities by reference to such commonly used business terms as Brand, Marketing, Innovation,

¹ Chapter 36, Page 136

² Ratio decidendi: Principle on which a case is based. (Readers Digest Encyclopaedic Dictionary)

³ 3rd World, Developing World.

Education, Distribution, Managing and applying them, along with others such as Trust and Dignity to the BOP.

Along with the various CEO Reactions, Case Studies and Company experience testimonials this critique will attempt to give a condensed account through further study of the contents and concise use of the many examples to confirm or otherwise the success of the strategy suggested in this book. No doubt the facts stand for themselves but there may be contradictions to explore elsewhere on the topic of BOP opportunity or exploitation.

The Fortune at the Bottom of the Pyramid.

On a first reading of this book one would be drawn to consider 3rd World³ Poverty and the fact that the strategies recounted are actually helping poor people rise above that poverty level. But the deeper we delve into the subject the more enormous the poverty problem becomes. Many of the examples in the book are ‘Good News’ stories and they are very well substantiated by case studies and CEO reactions and I will attempt to deal with them first.

However to give balance to the overall effect of BOP progress we must also look at the exploitation on-going in 3rd World countries and indeed closer to home with respect to Multinational Corporations (MNC) strategy in ensuring share-holder wealth. But this essay is primarily concerned with Prahalad’s amazing strategies and observations detailed in this book and as such they deserve thorough treatment.

To consider 4 billion people as victims and not as creative entrepreneurs or potential customers would be missing a huge opportunity to both help and benefit from them at the same time. The conventional image of the poor is used by charitable organisations to engender pity among their target population to improve donations. But an NGO advertisement heard lately says; *‘Give a man a fish and you feed him for a day, give a man a fishing rod and he feeds himself’*. It’s a very noble statement and I’m sure it’s having the desired effect but without education that man that may well not know what to do with a fishing rod. The poor need to be inclusive with exposure to the range and variety of opportunities. Feeding and providing basic needs confines the poor to Corporate Social Responsibility (CSR) whereas empowering the poor with education creates a confidence of choice to build a working community which ensures a return on endeavour by the individual. This could be considered a quantum leap in ideology

from previously held views that the poor were not a market for goods and services simply because they could not afford them. The latter view isolated an enormous market because it eliminated totally the possible volume of sales achievable if the price was right for that specific market and it ignored a basic rule of economics if you lower the price you widen the market. This view may have been taken in former times by government agencies that had a mistrust of the private sector. In India's case it may well have been a carry-over from post colonialism where the previous occupying power (Britain) tended to use India for its own purposes thereby keeping the population at large ignorant and controllable. It would never have allowed regional development to give autonomy outside British control. Many independent former colonies simply inherited and adopted previous government policy, strategy, systems and suspicions once they became independent⁴. This form of Dominant Logic initially created a bias among the stakeholders preventing access to the huge markets that lay beyond the psychological barriers. That bias inherently locks in the assumption that the poor are not a viable market because they have no purchasing power. If however we quantify the potential market to somewhere in the region of 3 billion people (The combined populations of China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa and Thailand), then we are looking at 70% of the developing world population with a GDP (Gross Domestic Product) larger than that of Japan, Germany, France, the UK and Italy combined. Buying power, of course is significantly lower as the poor earn less than \$2 per day but by sheer power of numbers their purchasing power is increased enormously. Credit for example in India costs the poor a lot in interest rates due to local monopolies, but if a high street bank were to offer credit it could undercut the intermediary by a ratio of 24 and still make a healthy profit. (Ref ICICI bank).

The Industrial Credit and Investment Corporation of India (ICICI) was incorporated in 1955 following initiatives by The World Bank, The Indian Government and Indian Industry interests to provide medium and long term finance to Indian businesses⁵. It is one of the largest private sector banks in India with a network of over 2000 branches and over 5000 ATMs in India with a customer base of approximately 24 million in India and overseas. By providing micro financing to the level of their needs

⁴ Ireland, post Independence from Britain 1921 is an example.

⁵ <http://www.icicibank.com> 01 Jan 2011

ICICI is converting the poor of India into customers thereby empowering them to develop, sustain and improve their businesses. Many of these customers fall into the category of farmers, grocers and co-operatives for the development of services for the good of all in the community. Considering the number of people in India living on less than 1\$ a day is greater than the population of the USA they would never before have been considered for credit by a formal banking institution. Much of that population, some 741 million is rural India based and the very low penetration of formal banking drove the poor to obtain credit from informal sources at exorbitant interest rates. Cognisant of this exploitation the Indian Government stipulated in their banking Regulations that Private sector banks must, by law, open a minimum of 25% rural branches as a condition of their licensing. This initiative helped to lift the number of deposit accounts to 418 million, 30% of which are rural. Allied to this is a project developed by the Reserve Bank of India operating through the National Bank for Agriculture and Rural Development to provide advice to Self Help Groups (SHG) linked to banks in an effort to increase the awareness of micro-credit availability to the poor. Although rural banking penetration increased significantly it took initiatives like SHG- Bank Linkage Programme to attract the poor away from the informal and monopolistic systems of credit they had been used to dealing with, even though they were locked into interests rates as high as 10% per day.

Government initiatives however, in the main, were viewed with suspicion by the banking sector as cost ineffective. ICICI took a different view in that they decided to develop a model that is scaleable, low cost and commercially viable. They endeavoured to make the poor active and informed participants in socio-economic processes and not merely passive observers. In tandem with an already established rural banking network of the Bank of Madura ICICI developed two models geared towards serving the BOP. These included both direct and indirect access. Direct access dramatically grew the SHG network to increase the scale of saving and lending whereas indirect channels uses existing networks and knowledge to keep costs down while cultivating the bank's presence. Since 2001 ICICI have acquired Madura, Sangli and Rajasthan banks giving it access to Western and Southern India⁶. The use of SHG in village communities very much depended on women who came together in groups who would not have been part of the formal banking.

⁶ The Economic Times. India Times. News by industry, ICICI Bank keen on local buys. Arun Kumar, 02 Jan 2011

Leaders emerged from these groups who took responsibility for collecting savings and keeping accounts. The bank educated these women in the basics of banking and encouraged a saving ethos that would be re-transmitted throughout the villages thereby creating new customers for the bank. By treating the poor as consumers and putting certain processes in place we see the beginning of poverty alleviation.

However to ensure the private sector also benefits by opportunities in potential growth in the BOP they must innovate to ensure they don't over-rely on traditional products and services. Access to the BOP markets will not happen on its own.

The Urban/Rural divide needs different approaches. Urbanisation will account for some 15,000 people per hectare by 2015. Asia, Africa and Latin America will account for some 1500 cities, almost 400 of which will have populations of more than 1 million with some 2 dozen cities home to more than 10 million residents. BOP consumers will comprise some 40% of these cities combined populations of 2 billion people. This level of intensity will facilitate beneficial distribution opportunities.

Rural distribution and access on the other hand needs other solutions. New technology can help somewhat but many rural areas are classified 'media dark' due to the failure of radio and television signal penetration. To overcome these problems some companies experimented with various distribution methods to find a solution. One such project was adopted in India by Hindustan Lever Limited (HLL). This again involved selecting women with entrepreneurial spirit and educating them, training and advising them to become

Distributors in their villages. HLL products proved very beneficial in health care as they involved distributing Lifebuoy soap to increase effective hand washing and Iodized Salt (Annapurna Salt) to prevent iodine deficiency and its affected disorders. Penetration and distribution is the key by using locals to effect distribution. India is no stranger to efficient distribution by people. An excellent example is Dabbawalas of Mumbai⁷. Literally meaning 'One who carries a box'. The service started in 1880 and it is a highly specialised lunch delivery service, mainly for businessmen but is also used to deliver lunches to schoolchildren. The service involves bringing a cooked lunch in a 'Tiffin box' from home to workplace on sometimes-lengthy commutes. The empty box is then collected and the reverse journey is performed. Up to 200,000

⁷ Coelho Krita, Gulf News (India), Eplus, Dabbawala's meal in a box, 01 May 2008.

lunch boxes are moved every day by approximately 5,000 dabbawalas with utmost punctuality for an extremely small monthly fee. Forbes magazine awarded a Six Sigma ⁸ rating to this most reliable of world supply chains. The error rate per million is less than 3.4 items carried despite using no computers and most dabbawalas being illiterate. A simple colour coding system is all that is used for identification and the service is seldom interrupted even during monsoons.

Again going back to rural penetration and access to that possible 700 million plus semi-suburban and rural population Bharti Airtel ⁹ made a huge effort to provide mobile telephony to the masses. Through innovation and alliances it attempted to involve the rural population through financial inclusion in their processes. Modern communications technology allowed access by the rural population to real-time information on prices, weather, distribution and other beneficial information. Alliances with IFFCO (Fertilizer) (Y) allowed rapid penetration to the relevant population. Bharti Airtel operates in 19 countries in Asia and Africa with over 200 million subscribers. It is the largest cellular provider in India with 143 million subscribers. Alliances with Nokia achieved low cost but high tech handsets. Ericsson agreed a 'pay-by-use' arrangement, which brought call rates down to US\$0.02/minute. By encouraging consumption and choice using small and affordable unit packages the poor rise above charity or philanthropy. Single-serve sachets have become the norm throughout India and large MNCs have had to adapt their products, like shampoo to maintain market share. Brand is important also to the BOP and high-end shampoo products from Proctor and Gamble contribute to the considerable size of the Indian market, which stands equal to that of the USA. Affordability is key however and for example in Bangladesh it allows women entrepreneurs with cell phones to rent out by the minute to other villagers. Affordability also allows people with no electricity to buy mobile phones because other micro-entrepreneurs in their villages provide a charging service at minimal cost. Concerning distribution one long-time and successful network is AVON cosmetics who use local women to distribute in urban and remote regions of Brazil using hundreds of thousands of distributors and sellers. There are many more examples of

⁸ www.isixsigma.com What is Six Sigma? | SixSigma Magazine. (A measure of quality that strives for near perfection.)

⁹ Bharti Airtel: www.airtel.in Indian Telecommunications company.

the market development imperative at work. The recognition by the private sector that there exists the capacity to consume. A range of goods and services are provided giving dignity of choice to the poor where trust in the micro-entrepreneurs is implicit. All leading to benefits to the consumer and the private sector. To reach the potential BOP market of 4 to 5 billion people, who up to recently would be considered too poor to buy and possibly too difficult to serve and deliver, the suppliers of goods and services must change their processes by innovation to tap into an economy in excess of \$13 trillion. Combining scale, technology, price, sustainability and usability relevant to the BOP markets management thinking needs to challenge conventional wisdom. Innovative processes must include deskilling of work, education of leaders and customers and of course distribution allowing access to customers. Gone must be the thinking that front-loaded products, services and projects based on perceived need that failed due to lack of uninterrupted power or materials to maintain them. The emerging markets in Brazil, China, India may have a potential affluent market in their developing economies but they represent only a fraction of the potential if the whole BOP market is targeted. Enabling people to buy and by accessing markets creatively and designing affordable products for them breaks the long-held assumption that BOP markets are not viable.

Many testimonials are given in the book demonstrating that this can be done profitably. Aravind eye care and Amul dairy in India, although different in product and systems both accessed their markets and achieved objectives by innovation. Most Aravind patients pay nothing for cataract surgery and those capable of paying pay no more than \$300. By educating young local women in sanitation and medical care Doctors can concentrate on surgery only thereby achieving higher targets. Amul on the other hand has developed an efficient daily collection and distribution system for raw milk. Farmers are paid daily which helps guarantee supply. Eyesight recovery and regular revenue helps restore dignity and improve quality of life for the poor.

In Mexico a cement business CEMEX helped poor people build their own homes by encouraging saving by co-operatives and building or extending homes as the savings realised sufficient funds thereby preventing large and usually unaffordable cash outlays.

Nor is education forgotten at the BOP, in fact it is an essential element in the innovative process. Due to the usually difficult access to customer's innovation in the education process is vital. HLL for example had a product to sell, Lifebuoy soap, but

to get it to the target market they needed to emphasise the benefit of their product to the health of its users. Diarrhoea is a huge killer of children in the 3rd World and the washing of hands, it has been proven can reduce diarrhoea-related disease by some 50%. HLL needed to distribute this message and by extension increase the volume of sales of Lifebuoy soap. They decided to approach village schools and educate children specifically in the need and advantage of washing hands regularly. Also to ensure the water they use was safe and the difference between looking clean and being clean. The children brought this message home with them thereby extending the influence and educating their parents on the efficacy of proper hygiene and disease prevention. As a result HLL sold more soap thereby gaining more profits. But the hostile environment presented to BOP suppliers can cause 'last step' problems. Everything may be put in place to provide clean water but if the container used to bring the water home or dirty hands contaminate it then all the good work is offset. Likewise a hostile environment existed with telecommunications so E-Chopal and ITC collaborated to ensure regularity of constant voltage electrical supply and satellite networks for their computers supplied to village communities in India. Although there is extra cost involved for the mentioned companies it is an essential investment if they want to ensure successful projects. So much of the conventional wisdom needs to be challenged in the delivery of products and services to the BOP. Taking into consideration that BOP markets represent some 80% of humanity then one of the reasons this figure is so high must be the fact that entrance to those markets are extremely complicated. Multi National Companies (MNCs) obviously want to enter that market but their barriers to entry involve state governments, non-governmental organisations (NGOs) and possibly even the World Bank and other institutions. All interested parties have their own ideas on what is best for the community in question but getting the blend right may be one of the most difficult parts of any project. Learning to live with a Network of Relationships to take advantage of Global Opportunities is a real challenge but one that must be addressed by the developed countries by being open to learning as a two-way street. MNCs can certainly help the BOP markets to develop but they must also learn from BOP markets to achieve that objective.

Prahalad identifies 4 distinct sources of opportunity:

-Some BOP markets are large and attractive as stand-alone entities.

- Many local innovations can travel across other BOP markets creating a global opportunity.
- BOP innovations can travel also to developed markets.
- Lessons can be learned in BOP that can influence management practices of global firms.

MNCs must start from a deep understanding of the nature of requirements of the BOP in order to engage otherwise their projects are likely to fail. To achieve and learn of local growth opportunities they must learn to grow by moving away from traditional growth patterns to BOP growth patterns. Prahalad makes the distinction using the traditional 'S' curve rather like the initial and stabilization sections of a typical life cycle. Instead he suggests, from details by data from HLL that managers must accept an 'I' curve where growth can be vertically achieved given the right groundwork laid in advance. This type of growth demands faster recruitment, education, distribution and supply to capitalise on the rate of increased demand. With this type of commitment Unilever learned processes that could travel. They developed a process to preserve iodine in salt during harsh conditions in India, which they were able to utilise in Africa to combat iodine deficiency especially in le Cote d'Ivoire, Kenya, and Tanzania. Innovations like this have allowed BOP markets outstrip top of the pyramid markets significantly for many companies. The experience of Unilever was repeated for HLL, Aravind eye care, Jaipur Foot and others to the extent that India became a laboratory for similar 'India-like' markets. Bangladesh, Nepal, Pakistan, China, Afghanistan, Vietnam, Brazil and other markets where growth has been fuelled by requirements and lessons learned from past experience in difficult and hostile regions. And not only is the knowledge transferable to other 3rd World regions but MNCs have realised they can utilise the lessons learned on cost management, where extraordinary emphasis on price performance and sharp focus on all elements of cost is an absolute necessity for survival in emerging markets but can also enhance their performance in the developed markets. Allied to Capital Intensity (control and influence of outsourced services or suppliers), Sustainable Development (Finding solutions to single-serve packaging) and Innovations (focussing attention on objective and subjective performances of the product or service) MNCs can manage a vast array of stakeholders with a minimum management staff thereby driving down the cost of managing.

Convenient as single serve packaging proves to be it also creates increased volume of waste to be disposed of. Innovation in the field of the environment must go hand in glove with technical and marketing innovation. Whereas biodegradable plastic is now in everyday use other means to help dispose of packaging must be built in to the overall efficiency of product or service supplied. As well as inclusiveness in marketing, technology and environment there also needs to be social inclusion the likes of which were previously mentioned, SHG in ICICI, HLL with training etc, and this work needs to continue using micro finance, micro- entrepreneurs and other social development initiatives to make the poor feel wholly part of the business system thereby increasing sales to the BOP. Small and medium enterprises (SME) and co-operatives are examples of community involvement on a wider scale. The private sector cannot afford to ignore the power of local community involvement with respect to development of BOP business systems. Prahalad quotes many example of companies who became successful by first recognising the need to involve local people in their projects. Although he is critical of developed communities and MNCs not fully understanding the infrastructure required in the BOP leading to a proliferation of SMEs in local communities.

Local impediments due to legal and contractual difficulties may also be a factor in restricted development Prahalad states. Wealth creation needs a holistic approach and the private sector in the BOP must marry social organisation and sound business systems in any ecosystem if it hopes to create wealth. As mentioned with learning to live in a network of relationships so too eco-systems need to encompass many stakeholders. A typical market-based ecosystem for wealth creation encompasses NGOs (Including extra legal), Micro enterprises, SMEs, Co-ops, MNCs and other large companies. Right throughout the developing world loose business arrangements exist between many of the above in an effort to achieve the same objective, that of wealth creation. (In fact a recent criticism of the many groups involved in helping the poor in Haiti, post earthquake, is that they are not co-ordinated. Although not attempting to create wealth, the many groups have basically the same objective, to improve the lives of the poor. However the uncoordinated efforts of the various stakeholders, in their rush to help, has caused resentment and disharmony among the poor, homeless and sick.)

Allied to integration among the stakeholders is the importance of honouring contracts. Binding contracts ties the village entrepreneur to the company and ensures supply throughout the network. It also distances them from the moneylenders and slumlords. In the case of ITC they provided access to information that farmers (Suppliers) can independently obtain, the system changes the inequities that the traditional and quasi-legal systems impose on consumers and producers. Taxes are paid to the government, farmers are paid immediately, produce weight is accurate and producers learn to become current on IT and Internet access. Such systems will need to be expanded by the private sector if they wish to harness the resources identified in specific markets. Building local entrepreneurship empowers BOP consumers with a ready focus of familiarity, probably not unlike previous ad-hoc uncontrolled, extra-legal networks but this time with a structure that sees benefits without exploitation. The new entrepreneurs through their training are now equipped with the tools to bring control and a healthy level of self-governance. The bank of Madura proved that by putting order on saving before lending, building confidence among their consumers to trust themselves with financial problem solve instead of relying on charity, and seeing real community leaders emerge to replace the slum lords. SHGs learned very quickly that structure benefits all. They adopted a few steps of organising involving savings, investing, contracting, leadership, local politics, micro loans and as well as gaining responsible access to banks credit they multiplied exponentially bringing massive business to Madura and ICICI with little or no default.

As well a building capacity many private sector companies realised they would need to inculcate a culture of good governance in transactions. Unfortunately corruption was endemic in the BOP to the extent that consumers and customers of goods and services (even government services) expected a level of corruption in their everyday dealings. The fact that the job of government to build transaction governance capacity (TGC) makes it more difficult to eradicate due to corruption benefits to government officials and civil servants. Processes were deliberately designed to have a 'back-handed' element built in to it's opacity and TGC tries to achieve transparency thereby making entire processes as transparent as possible and consistently enforced. In many cases though local practices in one culture may appear as corruption in another. Understanding completely the process helps to improve transparency and alliances can help with this. Dominant logic, as purveyed by aid programmes and institutions involved in poverty alleviation can undo TGC but the capacity to facilitate

commercial transactions, which in the main tend to be of more long term benefit, through a system of laws fairly enforced is essential. Trapped resources in cultures where underdeveloped legal frameworks exist prevent assets being converted into capital. Egypt¹⁰ is a case in point. Revolution is taking place where the majority of the population are living in an extremely restrictive society where assets are conservatively estimated at \$200 million. The situation in Egypt is only evolving but if Tunisia is anything to go by, where corruption by the ruling classes was endemic, then it may well be proven also in Egypt. The saying that '*unlimited power is apt to corrupt*'¹¹ is never to be more strikingly demonstrated practically than in these countries. Egypt with its superb assets, the Suez Canal and the Valley of the Kings, the pyramids should never be poor, it's special relationship with Israel and the Middle East peace movement. It's private sector should be booming instead of languishing in the hands of a few, who only want to keep it for themselves instead of expanding and spreading and thereby increase the wealth of the whole country. The restrictive culture is a perfect example of a system that is choking initiative. Where the ruling classes are content to stifle entrepreneurship while at the same time accept millions of dollars in aid from the west. One might ask at what point society at large stops accepting the status quo and revolts? Tunisia and Egypt and maybe other countries may be about to provide the answer. Whether they move to transparency in a TGC culture remains to be seen however if people are given the opportunity to be inclusive with the business life of the country then they may understand that to move on from the corrupt society they are helping to overthrow to more transparency they must decide if they want to be inside or outside the system. Inside means conforming to rules and regulations, outside means being no better than those former ruling classes they are currently deposing. The only problem with such revolutions that overthrow dictatorships is the fact that other more oppressive regimes may move in to fill the void.

However leaving radical religious ideologies aside working positively with the BOP towards social transformation where the poor can free themselves of the poverty trap by being treated as consumers through respect, choice, and self-esteem by MNCs and other business partners. This approach allows all stakeholders real access to global markets and effective transaction governance. The important role for governments is

¹⁰ DEGHANPSHEH Babak, DICKY Christopher, GIGLIO Mike, Newsweek, 07 Feb 2011. *Race against the Regime* Newsweek 07 Feb 2011.

¹¹ From a speech in the House of Lords, London, England, 9 Jan 1770.

to create the enabling conditions for active private-sector involvement in creating the BOP market opportunity.

Pralahad asks, if this approach is followed what impact will it have on the BOP consumers and how will their lives change? A good question and one that can be answered only somewhat by the change in fortunes of the developing world for the better while the developed world's economies struggle with the economic downturn. If we turn back to the 'the real test' statement then perhaps many would look at financial benefits as the main yardstick. Naturally that is true but there are also other benefits. Poor and uneducated people have learned to break down barriers to communication while at the same time becoming computer literate for their purposes. Poor farmers have developed marketing skills through knowledge gained by studying trends. MNCs have discovered that BOP consumers upgrade products quickly and in greater volumes if the products are made available. With more modern products also comes an Improvement in quality of life. Access to knowledge is another benefit where the poor could send and receive diagnostic information in problem solving remotely. Telemedicine also allowed remote diagnosis in rural India allowing world-class eye care to the benefit of the poor. Another benefit of personal identity became a reality as it was built-in to many projects by MNCs. SGH individuals in ICICI projects got identity, Casas Bahia gave identity cards to the poor in Brazil as proof of credit-worthiness. In Mexico CEMEX gave their micro-entrepreneurs legal identity binding their women to the firm and vice versa. As a consequence of BOP development women workers came to the fore as reliable micro-entrepreneurs and in so doing redressed somewhat the gender balance in normally male dominated societies. The above companies and HLL dealt only with women in many of their projects thereby reversing the common trends normally denied to women and creating opportunities for development.

With such integrated involvement in BOP business development it is not beyond the bounds of impossibility that certain organisations would take advantage of their privileged access by abusing its power. This abuse and possible subsequent corruption can come from any quarter including governments or government officials. So check and balances must be implemented. The evolution of cross-references is happening rapidly along with the evolution and rapid advances in connectivity. Abuses may still occur but the detection speed through modern technology tends to limit the abuse to short terms. The rapid adapting to new technology in aiding research by BOP

consumers and breaking down barriers to communication can improve their lives. Their legal entity gives status to effective participation in society and brings women closer to equality in the BOP.

If we return to the RATIO or the Real Test, from the Pyramid to the diamond. Social transformation tends to allow more people believe they can aspire to a higher standard of living. Income levels over certain time periods if measured in appropriate sample sizes can give relative changes. Prahalad demonstrates this effect via an income distribution model involving 16 states in India in the period 2006-2007. He uses the analogy of the pyramid to the diamond effectively by a study of the sample number of households moving from lower through middle to high income thereby almost inverting the pyramid shape to the extent that the distinctions of different consumers blend eventually into one consumer group. This increases economic activity, creates jobs and wealth in a virtual cycle.

Conclusion

Optimism and pessimism strikes Prahalad as he reviews his own work. His examples, he says are isolated beams of light surrounded by the bleakness of poverty. Islands of excellence surrounded by a sea of deprivation and helplessness. The book starts by dealing with progress during 2004-2009 obviously in an effort to see success with projects and the role of the private sector, by what they have learned and treating the BOP as a business opportunity and seeing the challenges of the 21st century. Having practical experience of the United Nations Development Programme Prahalad was able to participate in the drive to belatedly involve the private sector in poverty alleviation. Using an impressive array of CEO reactions to his concepts and allied to some 10 case studies Prahalad can draw on many practical and successful examples to support his understanding on how best to support and benefit from some 4 billion people. While on the one hand he compares the extreme variety on view as a kaleidoscope on the other hand he puts the term Bottom of the Pyramid to encapsulate the socio-economic identity. This is a ready description but leads also to sub-identity depending on income per day or access to goods and services. Whatever their individual circumstances this BOP market accounts for some \$5 trillion in Purchasing Power Parity. This as a business opportunity cannot be ignored and if examples are needed then just look at the explosion in the use of cell phones in the BOP. By this year, 2011, more than 4 billion cell phones will be in use. Much of the growth is in the

BOP markets. Prahalad mentions sub-Saharan Africa, along with China, Asia, India and Latin America but the recent revolutions in Tunisia, Egypt and Libya demonstrated the huge amount of high tech mobile phones were in use in the Maghreb transmitting images world-wide. Although India is held up as a shining example of BOP market progress and innovation it is also a country heavily dependent on affordable food. Onions are a staple ingredient of almost all Indian dishes and the cost rose to 60 rupees per kg, up from 30 rupees in December 2010. Over the years governments have fallen over the price of onions. Economists say poor agricultural productivity, transportation and inadequate state investment in agriculture are responsible for the crisis¹². Brand awareness for the BOP is made out to be very important but in Pakistan European companies arrived in the 1970s seeking to avoid rising labour costs at home. Today smart factories account for about 70% of the world's production of hand-stitched footballs, about 30 million balls. Even this wasn't sufficient for multinationals however because football associations, for last year's world cup looked to China where balls are heat bonded. Workers in Pakistan are struggling to live on less than \$3 a day, despite working full time at a factory producing balls for a global brand, Adidas¹³.

In China too rumours fly over the rash of suicides and the human cost of breakneck economic growth. Safety nets cover the walkways while a high Perspex railing lines the roof of the building, home to thousands of workers at the Foxconn electronics plant in Longhua district, Shenzhen. The nets are a desperate attempt to stop young people from throwing themselves off the roofs. This plant is like a small city covering 3 sq kms, where Apple's iPads and iPhones are made, where Dell and HP have many of their laptops made and where the components for many brands of mobile phone are assembled. Workers work 12 hours a day and are not allowed to talk in the militaristic working environment earning €100 a month¹⁴. In China however young people realise that an education is necessary if they want to work in a good job¹⁵. In Peking a huge village is springing up in nearby Tangjialing to facilitate the explosion in the number

¹² BEDI, Rahul. (In New Delhi) *'High onion prices leave India's ruling party in tears'*. Irish Times, Dublin, Ireland. 11/01/2011.

¹³ CRILLY, Rob (In Sialkot) *'Where €59 a month is hidden side of beautiful game'*. Irish Times, Dublin, Ireland. 07/06/2011.

¹⁴ COONAN, Clifford. (In Shenzhen) *'Inside Foxconn rumours fly over rash of suicides'*. Irish Times, Dublin, Ireland. 07/06/2010.

¹⁵ PEDROLETTI Brice. En Chine, des communautés de jeunes sous-employés. (Shigezhuang) Le Monde. 24 aout 2010.

of students seeking diplomas. Over 6 million in 2009, up by six times since 2000. Providing accommodation for these students alone has caused a building boom in the ‘villages des jeune diplômés’ while the students chase the ‘version chinois du rêve américain’. These are the lucky ones who can get work because statistics of unemployment among developed and emerging economies shows 81 million young people between ages 15 and 24. (12% of the young working population)¹⁶. Be that as it may investment in emerging economies has increased employment and output to the extent that they are enlarging faster than more established economies in the west and have earned their place at the top table of G20 summit meetings.

But allied to economic development comes higher awareness among workers of their rights. A rash of strikes¹⁷ against some of China’s biggest manufacturers is winning workers higher pay and better conditions, a shift which will impact eventually on the nation’s economy and that of MNCs. In the mean time China’s insatiable appetite for natural resources to fuel it’s economy has seen her step on the toes of several other governments for example in Guinea China has ignored traditional financial supporters, France and clinched a deal to secure rights to bauxite, timber and oil. She is also similarly involved with other African countries but her relationship with Libya may have backfired recently¹⁸. MNC involvement particularly in South America and Africa have let them to include criminal risk management in their training against extortion, fraud, kidnapping and terrorism. Emmanuel Metais, MBA director at Edhec French Business School (Paris, Nice, Lille) says it is the darker side of doing business in developing countries. He states: ‘As globalisation occurs, companies have to face more and more criminal actors, which in some countries are socially accepted and sometimes even supported by political forces’¹⁹. Prahalad touched on this theme when dealing with corruption in his book but the more recent revolutions in the Arab Meghreb may have gone beyond that for many MNCs. He also mentions check and balances and a good example in one recently published in Beijing where Apple found

¹⁶ BARROUX Rémi. 81 millions de jeunes de 15 á 24 ans étaient sans emploi fin 2009. Le Monde. Paris. 24 août 2010.

¹⁷ BATSON Andrew and SHIROUZO Norihiko. *China strikes draw notice*. The Wall Street Journal, 10 June 2010.

¹⁸ BERTHEMET Tanguy. *La Chine diverse ses milliards sur la Guinée*. Le Figaro. 18 Oct 2009.

¹⁹ EDDY Kester. *Lessons to be learned from extortion, fraud and terrorism. The ‘darker side’*. Financial Times, London. July 12 2010.

91 children working at its suppliers in 2010, nine times as many as the previous year, according to its annual report on its manufacturers. The report also states that 137 workers were poisoned at a Chinese firm making its products and that less than a third of the facilities it audited were complying with its code on working hours (Maximum 60 hours and 1 day off per week). There were also breaches in emissions, working injuries, and suicides, as mentioned at Foxconn. Apple increased its inspections to 127 facilities, up from 102 in 2009. Commentators on the report have criticised Apple for its secrecy and failure to accept public scrutiny²⁰. So this type of crosschecking hardly falls into the category Prahalad had in mind for his guiding principles for Good Governance.

There is no doubt however that economic development in the third world has benefited millions of indigenous workers but it has also benefited MNCs who, on evidence produced can be said to have moved facilities on the premise of helping developing countries but at the same time are increasing shareholder wealth by taking advantage of lax labour and environmental laws. Aung San su kyι, Burma's pro-democracy and Nobel peace laureate, said 'Fear is not the state of civilised man' She was of course referring to oppressive regimes. But perhaps unscrupulous MNCs are also oppressive regimes knowing there is an endless supply of labour and always someone else to take the place of a worker who doesn't like his job.

²⁰ BRANIGAN Tania. *Apple finds increase in number of child labourers used by suppliers*. The Irish Times. 16 Feb 2011.

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