

# [The fortune at the bottom of the pyramid](https://assignbuster.com/the-fortune-at-the-bottom-of-the-pyramid/)

The Fortune at The Bottom of The PyramidThe Fortune at The Bottom of The Pyramid The first thing I want to say is about ??? Poverty???. 2000 years ago, in ancient China, an philosopher Lao Zi called: Giving a man a fish and you will feed him for a day, teaching a man to fish and you will feed him for a lifetime. C. K. Prahalad (1941-2010) devoted his life to the basic questions such as what is poverty. How is it measured Who are the poor In his definition, the poor generally lack a number of elements, such as education, access to land, health and longevity, justice, family and community support, credit and other productive resources, a voice in institutions, and access to opportunity. He would rather focus on an individual??™s potential to function than the results the individual obtains from functioning.

I really appreciate his point on this. Prahalad gives us another angle point of view and new approach to resolve poverty, combining the market interest with the benefits for the poor – a win-win strategy for economic development and poverty alleviation. Theory always brings us with hope, but, how to successfully put it into practise Should be a big big challenge! C. K. Prahalad (1941-2010) This is first time I heard about this famous person. I think explain his vision before try to know him as more as possible. C.

K. Prahalad, who died Apr. 16, 2010 at 68, was hell-bent on shaking managers free of what he called their “ dominant logic”??” deeply held assumptions about the world. He was a provocative thinker who regularly came up with startling insights that would send executives scrambling.

During his 33-year career as a business philosopher, a professor of strategy at the University of Michigans Stephen M. Ross School of Business, and a well-paid consultant, Prahalad developed theories that have become so commonplace its easy to underestimate the impact they had at the time. In 1990, he argued that businesses should focus on their “ core competence”; corporate strategy has never been the same. Prahalads insistence that companies engage the billions of potential consumers at the “ bottom of the pyramid” was controversial in 2004.

Today it is global economic conventional wisdom. His dictum that customers want a greater voice in what they consume has gone from cutting-edge to cliche in six years. Prahalad was born in the southern Indian state of Tamil Nadu in 1941, one of nine children. He learned his bookish ways from his father, who was a judge and Sanskrit scholar. Prahalad studied at the Indian Institute of Management and then at Harvard, where he received a PhD from the business school. He intended to settle in his homeland but found nationalist India of the 1970s inhospitable to his global outlook. He returned to the U. S.

, where he could roam intellectually. Prahalad had eclectic interests: bird migratory habits, historical maps, the spread of languages. He wasnt especially gregarious, but when he traveled, which was often, he tried to pry useful information out of everyone he met.

He was always looking for connections and patterns, hoping to predict change. As a teacher, Prahalad nudged his students to stretch their minds. As a consultant, he demanded his clients do the same. When he arrived for a weekend with senior executives at Royal Philips Electronics (PHG) in the early 1990s, he told them he had just read a news report that Philips was heading into bankruptcy. “ Forget what we are supposed to talk about. There is a major crisis,” Prahalad recounted in a 2006 BusinessWeek profile.

“ You had better figure out what you are going to do about it.” Within a few hours, the executives had drawn up ideas for a radical restructuring. Then Prahalad admitted he had made up the whole thing to spur the team to think creatively. “ His style could be mean, but effective,” Jan Oosterveld, a retired Philips executive, said at the time. Prahalads??™ Vision and Business Actually I prefer the definition of poverty from Amartya Sen rather than only recognizing the poor people by income/expenditure level (less than 2$ per day) , however, for the application reasons, It is a easy or cost-saving way for the institutions, such as WB, UNDP and GB to test the extent of targeted group. As Prahalad, the author of The fortune at the bottom of the pyramid, wrote: Now, with another angle point of view and new approach of the market, more than 4 billion poor who live on less than 2$ per day, or so-called Bottom of the Pyramid (BOP), typically in developing countries can be the engine and significant opportunities to make benefits for both. It is see the issue from the side of challenges, and I prefer to elaborate the issue form the side of opportunities.

Is to combine the commercial opportunity with good-will of anti-poverty a feasible and reachable solution in the real life Theory is no longer theory today, it becomes a big big opportunity for the poor to survive and being strong player in the market-oriented economy, and a big big opportunity for the commercial institute to expand the market and the resource. As Micro Finance as an example, the operation of Grameen Bank (GB, the well-known micro finance institute) founded by Yunus (an economist, a Nobel Peace Prize laureate, and a famous banker now) seems pretty positive. It turned out that the repayment rate of small loan lending to the poor people that hardly collaterals stand with, is much higher than other loans with collaterals behind. Briefly Micro Finance is not only a financial intermediate but also a social intermediation between commercial institutes and the poor people. It is a special finance for the poor people, including small loan, saving, insurance, and training programs related to the specific programs. Certainly there should be governments as regulators and NGO as representatives involved.

Before getting into more details, some premises of the commercial solution to anti-poverty should be noticed: 1. Commercialization is not the weapon against absolute poverty, since the commercial sustainability in operation and finance act as the constraints. Poverty has both absolute and relative category, and absolute poverty means no income, no saving and no property at all, extremely the disable, on the contrast relative poverty is instable few income, and maybe saving and property a little bit. As known, anti-poverty programs has been though as a responsibility of governments for a long time.

Form the points of Chao (2007), the direct fiscal support are necessary for the extreme poor people whom lack of basic survival abilities, and the micro-finance is a solution for the middle level poor whom has some abilities and strong wishes to get fortune from the markets. In those cases, governments should be responsible for market infrastructures either tangible or intangible in the areas, making the markets available and accessible for the poor people, in the way of educating, training, basic insurance supports, information transfer channels and hard market infrastructures such as transportation and communication networks. 2. The poor people generally lack of abilities or channels to get access to the markets. Here, though, not only the ability and the channels, we must keep the wish/eager of poor people to get ride of poverty and how strong it is in our mind.

The targeted group should the poor with strong wishes to get ride of misfortune and poverty, whom doesn??™t highly rely on the subsidies form others (governments, charity institutes, rich relatives, etc). . As the words from Prahalad, Help the poor to help themselves. I make no apologies for giving nothing to beggars. It is a loan, not a gift. Give a man a fish and you feed him for a day, but only by teaching him how to fish do you feed him for life.

3. Business is business, the sustainability and profitability is always crucial for a business man??™s thinking. To some extent, most of micro finance institutes are not business man, more or less, in the help of governments, WB and country/regional developing banks, to keep their financial sustainability/resources.

However the presence of new player such as big international commercial banks in Micro Finance may display a new era and new solution to keeping balance between nature of profitability pursuing and the brand value by arising social responsibility issues. There are real successful cases, such as the SHAKTI-program of Unilever in India, the global company take the poor rural woman as distribution channels, to make money and empower the rural India woman in economy and culture. Regarding micro Finance and business field, there is a dilemma between the good-will to help poor people and the good-condition to keep business, in professional definition, the outreach of small loan and the sustainability in operation and finance. For the large commercial banks, they may have risk portfolio to reduce the risk and expand the markets; For the small one, the risk controlling method mainly rely on the design of interest rate, repay policies, and associated responsibility in the 5-8 persons loan association. As a result, the risk management system t turns out the most crucial for Micro Finance, and it is not a new issue for banking system at all.

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