Eradicating Poverty Through Profits

Business leaders and anti-poverty activists cannot ignore the markets of those with the least, writes business author, professor and consultant C.K. Prahalad. He calls these “Bottom of the Pyramid” (BOP) markets, and throughout The Fortune at the Bottom of the Pyramid, he describes the spending patterns, distribution channels and marketing efforts that have been successful in reaching those in the developing world. With myriad case studies and examples of companies that have been successful in making a profit while helping to contribute to the eradication of worldwide poverty, Prahalad shows business leaders how their firms can make enduring contributions, deliver dignity, empower poor people with new choices, as well as make a profit with the billions of aspiring poor who are making their initial entrance to the market economy.

Inclusive Capitalism

Prahalad explains that he wrote The Fortune at the Bottom of the Pyramid to tackle the question of why we cannot create inclusive capitalism, and why all of our technology, managerial know-how and investment capacity cannot make even a minor contribution to the problem of pervasive global poverty and disenfranchisement. Refining developmental aid, subsidies, governmental support, reliance on deregulation and privatization of public assets, and the solutions of localized nongovernmental organizations (NGOs) is important, Prahalad writes, but it has not redressed the problem of poverty.

There are 4 billion people in the world who live on less than $2 a day. To help this 80 percent of humanity, Prahalad asked, “Why can’t we mobilize the investment capacity of large firms with the knowledge and commitment of NGOs and the communities that need help?” His search for unique solutions led him on a journey to understand and motivate large firms to imagine and act on their role in creating a more just and humane society by collaborating effectively with other institutions.

The Fortune at the Bottom of the Pyramid does not engage in debates over whether globalization is good or bad, or whether small or large corporations can tackle problems more efficiently. Instead, it concerns itself with what works, and points readers towards ways that NGOs, large domestic firms, multinational corporations, governments and even the poor themselves can come together through entrepreneurial activities and work to solve the problem of poverty. Prahalad writes that the challenge is to find new and creative approaches to convert poverty into an opportunity for all concerned. He explains that this process starts when BOP consumers are respected as individuals, and when the process of co-creation assumes that consumers are equally important joint problem-solvers.

Bridging the Gap

To show how companies such as Unilever, Hewlett-Packard, DuPont and others have embraced this new perspective on alleviating global poverty, The Fortune at the Bottom of the Pyramid presents extensive case studies describing known problems and unique solutions that have been developed by companies who look at social responsibility as a business opportunity and a sign of commercial respect for those in need. For example, in one case study, Prahalad describes how Hindustan Lever Ltd.’s technological innovation, Annapurna salt with stable iodine, demonstrates ways nonprofits and a for-profit corporation can bridge the gap between a preventable disease (iodine deficiency disorder) and a healthier population, as well as the gap between the poor as a problem and the poor as a source of innovation and profits.

By working to jump-start a global movement toward private-sector solutions for global poverty, Prahalad has written an important guidebook for organizations to follow when formulating their strategies for a better future, where profiting from the elimination of poverty can take place on a global scale and the ways the developed world delivers offerings to the developing world can be improved.

Reviews by Chris Lauer

How to Cultivate and Transfer Business Wisdom

Deep smarts are not simply IQ or talent. Instead, according to Harvard Business Professor Dorothy Leonard and Tufts University Psychology Professor Walter Swap, they are a potent form of experience-based wisdom that drives both organizational competitiveness and personal success. In their book, Deep Smarts, Leonard and Swap provide a deeper look at the interrelationships among knowledge, competitive advantage and continuous innovation. They explain that what makes deep smarts so competitively valuable is that they are built on firsthand life experiences, resulting in tacit knowledge that is hard for other organizations to copy.

Over the past several years, the authors have conducted a research project in which they observed and interviewed coaches and their protégés in startups and older firms. Deep Smarts presents the results of their research and reveals how deep smarts can be cultivated and leveraged throughout an organization, including how deep smarts emerge from the development of “experience repertoires” guided by knowledge coaches.

The Engine of Your Organization

According to the authors, deep smarts are the engine of your organization, and you cannot progress without them. By understanding what they are, and how they are built, cultivated and transferred, they write, you will be able to manage more effectively. They also add that the people in your organization who have deep smarts form the basis of your organizational viability.

Deep smarts are based on know-how and know-what, the authors write, as well as “the ability to comprehend complex, interactive relationships and make swift, expert decisions based on that system level comprehension but also the ability, when necessary, to dive into component parts of that system and understand the details.” Deep smarts are not something you learn in college alone, they explain, “but they can be deliberately nourished and grown and, with dedication, transferred or recreated.”

Deep Smarts was written for general managers who believe that investments in organizational learning and in people will grow profitability, the authors write, as well as those who believe that developing the next generation of leaders is an important part of their job.

The authors explain that deep smarts are formed and influenced internally by who we are, which includes our personal background, education and upbringing. In addition, they are also formed by external sources, which include other people who coach us directly and those we admire and emulate. Deep smarts also come from a buildup of knowledge, and are based on experience-based expertise as well as that of others, and can be used to quickly sum up a situation and render a decision. This includes the use of networks to solve problems. The authors also write that the process of shaping plays an important role in deep smarts — they are socially constructed forms of expertise, so they include our own convictions about what is real and true as well as whatever beliefs and assumptions we accept from those we admire.

Beliefs and Assumptions

Throughout Deep Smarts, the authors describe not just the importance of cultivating and transferring deep smarts, but also offer crucial tips to help managers build deep smarts through experience; ways deep smarts can be developed and expressed; and ways deep smarts can be shaped through beliefs, assumptions, social influences and cultural belief systems.

Deep Smarts then describes how deep smarts can best be transferred from experts and coaches to their protégés and peers, as well as ways the experiences of protégés can be guided so they can create their own deep smarts.

According to the authors, the following points should be kept in mind:

● Observing deep smarts in action is an effective way for an expert to transfer knowledge. But modeling becomes even more effective when the coach guides the protégé to reflection on what has been observed.
● Guided observation is also a tool for forcing unlearning, that is, the relinquishing of assumptions and cognitive habits.
● Guided problem solving recreates deep smarts because the protégé can develop know-how and know-who as well as know-what (facts about the knowledge domain).
● When learners conduct experiments, they learn to think analytically, in terms of hypotheses or “what-ifs.”

Deep Smarts presents an intriguing mix of coaching tips and organizational strategies that creates a resource for helping younger managers move up the ladder and keeping organizations on track through constant knowledge transfer. By combining manager development with business strategy, the authors have created a thoughtful collection of smart training and management techniques that can help any organization.

Why We Like This Book


Buy this book for 20% to 46% off at www.summary.com/books.
THE MARKETING PLAYBOOK
by John Zagula and Richard Tong

Five Battle-Tested Plays For Capturing and Keeping the Lead

Venture capitalists John Zagula and Richard Tong spent years as marketing executives at Microsoft, where they learned how to launch successful brands and market popular product lines. During their activities at Microsoft and beyond, they determined that there are only five distinct strategies for marketing any product or service. In The Marketing Playbook, the authors describe these five plays in detail, and illustrate them with numerous examples from the front lines of effective marketing campaigns.

The authors explain that The Marketing Playbook can serve as a guide that can help any business develop its own playbook that will direct its specific marketing decisions and actions. By choosing one of the five plays they offer, a business can begin to focus on an appropriate strategy and follow a set of straightforward guidelines that can lead it to market leadership and success.

To make the most of its unique playbook, the authors write that a company must first select a play that fits its situation and goals, then create a carefully thought-out map of its playing field that will help it confidently apply the chosen play, and then run the play in action. They explain that this playbook will arm any organization with a set of simple guidelines that will help it successfully run the play and respond to the market’s response.

The Five Plays

The authors write that the five plays are simply strategies for winning the race in a competitive field. These five plays are:

- **The Drag Race**: Pick a single competitor to which you compare yourself, then put everything you can into beating it across the finish line. The authors explain that those who choose this strategy must have what it takes to get there first.
- **The Platform Play**: Ignore the competition, and focus on becoming a platform from which the entire industry can win as well. Make it easy and profitable for others to partner with you and painful for them to let you lose. At the top of a category, you must be on the lookout while gathering allies and defenses.
- **The Stealth Play**: Focus on a specific niche where you can build your strength unnoticed. Try to peacefully coexist with the market leaders until you have what it takes to openly challenge them. You must remember to stay out of the way of big, dumb slow competitors because they “can still squish you.”
- **The Best-of-Both Play**: Aim to dominate the whole category by collapsing both high- and low-end offerings into a new offer that lets customers have their cake and eat it too. “If you appeal to the most important needs of each part of the market,” the authors write, “you can win them all.”
- **The High-Low Play**: Instead of offering a combination that collapses the extremes of a category, you emphasize the importance of choice. With this play, you try to close out the competition by splitting the category and owning both halves. You offer both extremes, no compromises, and a migration path between them. Although this is the hardest play to manage, it can lead to high volumes and high margins if it is done correctly.

Moving From Play to Play

After describing how companies such as winemaker Robert Mondavi, Microsoft, American Express, DaimlerChrysler and others have used these strategies to succeed in their own industries, the authors explain how companies can learn more about their situations, understand key factors and address the market dynamics that are essential to their line of attack. They write that “doing your homework” helps in three ways:

1. It helps you discover, define or refine the mission that inspires you and the mission that motivates you.
2. It helps you reach conclusions that define the boundaries and constraints for choosing your strategy.
3. It can help define your investment priorities.

To maximize the outcome of doing your homework, they point out that you must: first, look at the developments that came before you and define the industry as it stands today, as well as the state of the other industries that support it; look for the openings in the dynamics of that industry; isolate the key economic and other levers in the industry that are required to exploit that opening; and finally, focus all your energies, priorities and decisions on moving those levers.

The Marketing Playbook offers a workable metaphor for making marketing work. Seen as a team sport that requires running plays to create a winning marketing campaign, the authors offer organizations succinct strategies for building teams, choosing tactics, calculating time horizons and planning the next move while outmaneuvering the competition. The authors’ conversational tone and relevant experience make it a useful resource.
Go It Alone! addresses many of the central questions facing would-be entrepreneurs with detailed answers that come from his own experiences and those of others who have also gone it alone. For example, Judson spends a chapter describing how extreme outsourcing can be used to build a go-it-alone business. He writes, “The ability to delegate everything except what you do best is an essential attribute for anyone who wants to be a successful go-it-alone entrepreneur.” He explains that the best way to consider what activities can be outsourced is to start with a bias that you want to outsource every possible function that is involved in your anticipated business system. Then you must determine whether you trust the third-party business that will be handling the outsourced function and whether outsourcing the function makes it easier for you to coordinate your overall business system.

Judson also presents several examples of the benefits of outsourcing and a bias toward getting up and moving as quickly as possible; firms, such as TheraSense, the Synapse Group, and eMachines, for example, were able to succeed in highly competitive industries using strategic invention and relatively few employees.

### Sudden Adjustment

The sudden adjustment from working for a large company to running a solo startup is also addressed by Judson. Here are some of the guidelines he offers:

- **Know that nothing happens unless you make it happen.** An infrastructure with resulting activities exists only after you have created it.
- **It’s essential to recognize that there is no “A” for effort.** After you’ve built in as much protection from risk as possible, whatever risk that remains is something you must own completely.
- **Be prepared to sell.** You must be ready to convince people that your initiative has merit, and convince them to buy your product.
- **Be prepared to demonstrate credibility.** A confident attitude will go a long way toward doing this.
The Rising Chinese Economy and Its Impact

Some economists believe that China’s rise as an economic power is simply another case of an Asian country making decent headway much like Japan or South Korea. But management professor and international business researcher Dr. Oded Shenkar disagrees. In The Chinese Century, he writes that China’s ascent has more in common with the rise of the United States a century ago than with the recent progress of its predecessors and followers. Shenkar writes, “What we are witnessing is the sustained and dramatic growth of a future world power, with an unmatched breadth of resources, lofty aspirations, strong bargaining position, and the financial and technological wherewithal of an established and business-savvy Diaspora.” He writes that China’s impact on the world will be enormous.

The Chinese Century describes the impact that China’s rise will have on business, employees and consumers around the globe. By exploring the factors that play a role in its rise, and its impact on the United States, Shenkar assesses what companies and employees will need to do to remain competitive as China’s role in the global economy expands. He writes that the “dislocations” that result from China’s growth as a global economic force represent a fundamental restructuring of the global business system.

Planes, Bicycles and Automobiles

Not only is China a country of 1.3 billion people, but it is already the largest market for Boeing’s commercial aircraft and American machine tool makers. It is also Volkswagen’s biggest foreign market (ahead of the United States). China makes 70 percent of the world’s toys, 60 percent of its bicycles, half its shoes, and one-third of its luggage. Shenkar points out that China’s size also means a vast pool of human resources. With its unlimited supply of menial laborers; a growing number of engineers, scientists and skilled technicians; as well as an educational system that continues to be modernized and stocked with foreign-trained faculty, Shenkar writes that China is poised to overcome its problems (of which there are still many) and emerge even stronger from the process.

How can companies, employees and consumers prepare for the new economy? Shenkar writes that the protectionism of a trade war would be a severe mistake, “producing grave consequences for all.” He also explains that we all share the responsibility of maintaining the perception of fairness, and the belief in opportunity for all must not be undermined.

Japan and India

For those who might believe that China’s rise to prominence as an economic power is equal to that of either Japan or India, Shenkar breaks down the factors that point to China as its own, robust force. For example, Shenkar writes that a “crucial difference between Japan and China has to do with their capacity for innovation and propensity for entrepreneurial and international activities.” He explains that historically, China has been an innovator, while Japan has been an imitator or an incremental improver, rarely producing radical innovations. China’s advantages in innovation, size and timing suggest that, as substantial as the Japanese impact has been, the Chinese impact is likely to be much larger, more sustainable and broader in terms of economic sectors.

When comparing India and China, Shenkar writes that India is only gaining in a narrow range — software, back-office operations and call centers — while China is globally competitive in a variety of industries, from textiles to appliances. This makes India’s presence felt in the outsourcing market but does not necessarily translate into a country-wide impact.

For businesses to succeed in China, Shenkar explains that “a company must do its homework, understand how the Chinese environment works, and determine how to develop and protect a competitive advantage under different game rules.” He adds that this same formula also applies to the entire China game.

Shenkar also makes many forecasts, including: If current trends continue, China will surpass the United States to become the world’s largest economy in two decades, maybe even sooner. He concludes The Chinese Century with the thought that how we handle the coming challenge “will define much of the world our children will inherit.”

Why We Like This Book

The Chinese Century presents a fascinating and detailed look at the factors that have shaped where the global economy is today, and provides valuable insights into the international transformation that is taking place both in the United States and Asia. By focusing on the jobs that are at stake and the new realities we are soon to face, Shenkar offers the foundation on which effective strategies and responses can be built.
SHORT TAKES

Office Superman
by Alan Axelrod
Prolific business author Alan Axelrod has written a guidebook that explains how every employee can become an indispensable hero in the workplace. Full of practical tips and techniques, Office Superman uses the mythology of Superman and his unique powers as the groundwork for presenting numerous strategies for getting ahead in your career. For example, when explaining how an “Office Superman” must mind his mild manners, Axelrod describes how Clark Kent’s kindly rapport allows him to become more effective. Running Press, 239 pages, $24.95 (ISBN 0-7624-1971-7).

The New Normal
by Roger McNamee
with David Diamond
According to venture capitalist Roger McNamee, the future arrived when the Nasdaq plunged in March 2000, bringing with it opportunities for unprecedented rewards and a “new normal.” In The New Normal, McNamee describes how an investor can make the most of his or her life and money by understanding the new normal and embracing its higher risk-higher reward future. The New Normal presents tips for investing, competing, managing, governing and using technology to profit in a new world. Portfolio, 238 pages, $24.95 (ISBN 1-59184-059-7).

Predictable Surprises
by Max H. Bazerman
and Michael D. Watkins
According to Harvard Business Professor Max H. Bazerman and strategy consultant Michael D. Watkins, “predictable surprises” are events that catch leaders off guard even though they had all the information necessary to anticipate them, and write that they represent a pervasive failure of leadership that holds grave consequences. In Predictable Surprises, the authors identify six danger signals and describe a prescriptive framework that aims to help leaders respond quickly and effectively to prevent disasters. Harvard Business School Press, 317 pages, $27.50 (ISBN 1-59139-178-4).

Global Call Centers
by Erik Granered
In Global Call Centers, business consultant and management trainer Erik Granered describes how businesses can use proven cross-cultural management techniques to reduce the failure rate of overseas call centers. By focusing on the cultural literacy of company leaders and presenting many country-specific cultural profiles, Granered offers real-world training tips and anecdotes that can help firms build successful global customer service centers. Full of techniques for helping call center managers do their jobs, Global Call Centers provides better ways they can satisfy customers. Nicholas Brealey, 206 pages, $34.95 (ISBN 1-904838-03-0).

Bubbles and How to Survive Them
by John P. Calverley
Chief Economist and Strategist for American Express Bank John P. Calverley has studied the bubbles and busts in stock markets and home prices and why they occur, focusing on the interaction between interest rate policy and the psychology of investor behavior. In Bubbles and How to Survive Them, Calverley describes how bubbles can be identified as they emerge and prevented from inflating too far. He also explains how a diverse portfolio can protect investors. Nicholas Brealey, 220 pages, $29.95 (ISBN 1-85788-348-9).

Got Game
by John C. Beck and Mitchell Wade
There are more than 90 million people in the “gamer generation” and, according to business strategists John C. Beck and Mitchell Wade, they will have a huge impact on the future of business. In Got Game, the authors present statistics that show how gaming is not merely a waste of time, but is actually amazingly effective training for essential business skills. The authors reveal gamers as committed, team-oriented professionals who play to win, and describe how managers can unleash their hidden potential. Harvard Business School Press, 202 pages, $27.50 (ISBN 1-57851-949-7).

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SELECTIONS

PART 1

Lion Taming
by Steven L. Katz

PART 2

Renovate Before You Innovate
by Sergio Zyman with Armin A. Brott

PART 3

The New Mainstream
by Guy Garcia

SOUNDVIEW SPEED REVIEWS

The Fortune at the Bottom of the Pyramid
by C.K. Prahalad

Deep Smarts
by Dorothy Leonard and Walter Swap

The Marketing Playbook
by John Zagula and Richard Tong

NEXT MONTH

Hardball by George Stalk and Rob Lachenauer with John Butman
Strategy experts George Stalk and Rob Lachenauer predict that competition will soon become so fierce that marginal victories and short-term advantages will not be enough to keep companies thriving. In Hardball, they reveal how hardball competitors use relentless strategic execution to neutralize, marginalize and even punish rivals.

Free Prize Inside by Seth Godin
Master marketer Seth Godin explains that if you make your product, service, school, church or career worth talking about, the word will spread. In Free Prize Inside, Godin shows you how you can make customers feel like there is something small yet precious waiting for them inside your offering.
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This Month’s Summarized and Reviewed Books

* The Chinese Century
  by Oded Shenkar
* Deep Smarts
  by Dorothy Leonard and Walter Swap
* The Fortune at the Bottom of the Pyramid
  by C.K. Prahalad
* Go It Alone!
  by Bruce Judson
* Lion Taming
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* The Marketing Playbook
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This Month’s Short Takes

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