

## **Business Lessons at the Bottom of the Pyramid**

Hiranya K. Nath<sup>1</sup>

It always amazes me that, despite numerous constraints, there are entrepreneurs in Assam who have been successfully running businesses, generating income and employment for themselves and for others.<sup>2</sup> There are all kinds of constraints : lack of infrastructure; absence of affordable credit; adverse climatic conditions; social and political uncertainties; bureaucratic red-tape and corruption; lack of professionalism; and the list goes on. Then, there is the pervasive gloomy picture painted by the media, intellectuals, and those of us who have not lived there for a significant amount of time. What is more amazing is that those entrepreneurs are extremely innovative in circumventing these constraints. In my opinion, the way they manage their supply chain, the way they adopt and adapt technology, the way they manage risk should be studied by business students and faculty. If, as C. K. Prahalad argues, the fortune is at the bottom of the economic pyramid, these will be valuable lessons even for large companies that do or want to do business in developing countries.<sup>3</sup> Because poor and low income people constitute a significant portion of the market for many of those small businesses, their innovations befit the special circumstances that they find themselves in.

Further, even when business (income and employment generating activities) initiatives fail, there is a great deal to learn from failures and those failures need to be carefully studied. There is a tendency to replicate business ventures that have been successful elsewhere. However, this trend is not peculiar to Assam but widespread in many parts of the developing world. This seems to be often perpetuated by government agencies, NGOs, and others who often hold a paternalistic view of economic growth and development and tend to impose “their solutions”. The fundamental flaw of this approach is the presumption that the people at the bottom of the pyramid lack ideas or entrepreneurial skills. In reality, there is no dearth of ideas and skills among this group of people. The role that the external agencies can play is to create opportunities that are often limited by various constraints, some of which are mentioned above, so that entrepreneurial spirit flourishes.<sup>4</sup>

---

<sup>1</sup> Associate Professor of Economics, Sam Houston State University, Huntsville, Texas 77341 (USA); e-mail: [eco\\_hkn@shsu.edu](mailto:eco_hkn@shsu.edu)

<sup>2</sup> Most of them are small businesses that usually serve local markets. There are a few, I know, that serve larger regional markets. For example, SRD Nutrients in my hometown Mangaldoi has been successfully running business on behalf of multinationals Horlicks (GlaxoSmithKline) and Britannia to serve the market not only in the northeast region but also other parts of India.

<sup>3</sup> Prahalad (2006) proposes a framework for poverty alleviation through active engagement of the private sector at the bottom of the economic pyramid. I would argue that, in addition to the large firms, non-governmental organizations (NGOs), governmental agencies, and the poor themselves, the small businesses can be an active and valuable participant in this engagement. Most of these small businesses are already engaged at the bottom of the pyramid.

<sup>4</sup> Yunus (2007) explains it in a persuasive manner while making a case for micro-finance in poor rural communities in Bangladesh.

As I have mentioned before, business education in Assam and the northeast region should incorporate case studies of small businesses that have been successful even in adverse conditions. Both students and faculty should write case studies based on the experiences of local businesses as part of their learning and teaching. These cases should examine the constraints and showcase the innovations and “good business practices”. There are several advantages of this endeavor. *First*, if a business curriculum focuses on cases that are developed and studied in the west, that will not be very useful even for the student who aspires to get a well-paid job at a multinational company (MNCs). Many MNCs are now focusing their attention to countries like India where majority of the consumers belong to the low income or lower middle income group. Irrespective of whether these large companies get actively engaged at the bottom of the pyramid as Prahalad (2006) envisions, the knowledge of localized small business successes will give the students a comparative advantage in the job market.<sup>5</sup> *Second*, these stories may inspire students and faculty to be innovative and to embark on new business ventures or to create opportunities for business initiatives by alleviating some of the constraints. After all, the idea of *Grameen* Bank in Bangladesh originated from a class project conducted by Professor Muhammad Yunus (Yunus 2007) and his students in rural Bangladesh. *Third*, these case studies may reveal the endemic problems that cripple business opportunities and therefore will provide important guidance to public policies. *Fourth*, the entrepreneurs themselves may learn from each other if these cases are archived and disseminated among them.

Those who are concerned about the economic development of Assam and the northeast may provide incentives to the business students and faculty pursuing their careers at various business/management schools located in the region to write useful cases that have both pedagogical and practical values. I do believe that it will have long-run impacts on business and economic development of the region.

## References:

Prahalad, C. K. 2006. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*. Upper Saddle River, NJ: Wharton School Publishing.

Yunus, Muhammad. 2007. *Banker to the Poor: Micro-lending and the battle against world poverty*. New York: PublicAffairs.

---

<sup>5</sup> As Prahalad (2006) mentions, there have been interests and experiments by some of the well-known large companies to get engaged at the bottom of the pyramid.