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Book Review

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S.L. Hart, *Capitalism at the Crossroads: Aligning Business, Earth and Humanity*, Second Edition. New Jersey: Wharton School Publishers, 2007, p. 304, \$17.99

This provocative book challenges managers at every level to understand and deploy sustainability as the strategic platform of their respective organizations. Stuart Hart's updated second edition of his powerful argument, originally published in 2005, should be of interest to all thinking people involved in management education. The work's central message includes three main themes. The first theme addresses the contemporary context of global economy and global sustainability. The second and most extensive theme looks at how reaching the base of the global economic pyramid is critical for achieving a sustainable economic order. The third theme considers how globalization's survival depends upon the development of native capability. In this regard, the second edition has a much stronger impact on readers than the first. His bold assertion is that the only way to alleviate poverty and arrest environmental degradation is to engage global enterprises in social business. Hart, a Cornell University Management Professor, collaborated with C.K. Prahalad in his early career to generate the idea of *Bottom of Pyramid (BOP)* in their seminal joint working paper in *Strategy + Business* (Prahalad and Hart 2002). He argues that the role of global corporations beyond the current thinking towards the generation of 'sustainable value' is critical for globalization to succeed, and in this context, incorporation of the BOP

perspective to the development of a sustainable economic system is an exciting development. It becomes clear in the opening chapter that the author is exasperated by what he sees as the narrow focus of scholarly work in management schools around the world and his views certainly represent a bold challenge to the dominant paradigms of business education.

The book lays out the foundational propositions of a sustainable global economic system in terms of its strong alignment of business, environment and human values. The matrix of developed, emerging and traditional markets on the one hand and pollution, poverty and scarcity on the other is established early as the central focus of the book. He contends in the prologue section:

... sustainable global enterprise thus represents the potential for a new private sector-based approach to development that creates profitable businesses that simultaneously raise the quality of life for the world's poor, respect cultural diversity and conserve the ecological integrity of the planet for future generations. Making such a societal contribution while simultaneously creating shareholder value will take real imagination and a fresh approach to business strategy (p. xii).

This central focus on creative solution finding exploration of time remains as the central theme of subsequent chapters. Achieving sustainability and fairness become the new criteria to underpin strategic positioning and reputation in the corporate sector.

Capitalism has indeed arrived at a very challenging crossroad. At a time when the global financial crisis originating from the cancerous DNA of capitalism is threatening to decimate economic systems in countries around the world, a number of ideas in transforming capitalism have emerged. In his speech at the 2008 World Economic Forum in Davos, Switzerland, Bill Gates articulated his vision of transforming moribund capitalism into a 'creative' one. He argues:

Creative capitalism isn't some big new economic theory. And it isn't a knock on capitalism itself. It is a way to answer a vital question: How can we most effectively spread the benefits of capitalism and the huge improvements in quality of life it can provide to people who have been left out? (Gates 2008)

The touchstone of his so called 'creative capitalism' however, is his active endorsement of C.K. Prahlad's idea of generating profitability by serving the poor (Prahlad and Hart 2002). Stuart Hart's book *Capitalism at the Crossroads* complements this thesis and extends the 2006 Nobel prize winning economist Mohammad Yunus's contention that 'capitalism' was a 'half developed' idea as it narrowly focussed on the profit oriented motive of human endeavour leaving aside the philanthropic and social goal of human endeavours (Yunus 2008).

The context and framework as well as the ideas of aligning business, environment and humanity therefore, have assumed a hitherto unknown urgency. As globalized economic systems tear apart self-sustaining communities in many parts of the world, this intellectual attempt at the creation of a socially just and equitable society still appears difficult to achieve in the short term. Finding an inclusive pathway where

the macroeconomic well-being of a society is anchored in its tradition and heritage will not be easy (Sachs 2008). Interestingly, Hart argues that multinational corporations embody the ideas of contemporary global capitalism and that its managerial elite are crucial to the innovative exploration of this inclusive pathway. Echoing the voices of Yunus and Prahlad, he suggests not only that global strategies of multinational corporations are central to the search for the solution of the problems of poverty and environmental integrity, but that they also represent an unprecedented opportunity for innovation, growth and profit. On the other hand, he asserts that the system of global governance has not yet reached a stage where it can counter the narrow self-interests of nation states. Hart also draws our attention to the fact that religious fundamentalism plays a very ugly and divisive role in many contemporary societies.

Though the former US Vice-President, Al Gore, commends the book mainly for its practical action frames, this book's strength is its strong theoretical basis. The first chapter titled 'From obligation to opportunity' sets the tone of the book by skilfully outlining the inescapable road ahead for global corporations. The shareholder value model outlined in Chapter 3 is of considerable relevance in the current economic crisis. This model considers today's businesses in the light of building tomorrow's opportunities and nurturing of internal capabilities. This inevitably would engage all organizations with their external constituencies. The idea that environmental sustainability needs to be considered as a critical element in formulating strategic platforms is an important argument of the book. Global governance structure may take a long time to emerge, but a new regime of accountability, transparency and sustainability of global corporations cannot reasonably wait any longer.

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SAMIR RANJAN CHATTERJEE
*Professor, International Management
Curtin University of Technology
Perth, Western Australia*