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April 2018

Online at <https://mpra.ub.uni-muenchen.de/86695/>
MPRA Paper No. 86695, posted 15 May 2018 11:58 UTC

The Concept of Cockroach Theory of Sustainable and Scalable Organizational and Individual Growth

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ABSTRACT

The question of survival and sustenance is very critical for every individual or organization. There are various factors that are essential for growth and sustenance of companies. There have been many research studies undertaken to gauge the success factors or to break down the components and study success in detail. Since Prahalad and Hart propounded the need for multinationals to serve the large base of the pyramid markets, which could be done profitably and need not be left only to government and aided agencies, many multinationals across the world have been made significant steps in reaching out to these markets especially in emerging economies. In these strategies, there have been some successes and many failures. In previous papers we have studied many such strategies and we have proposed a “theory of sustainable and scalable growth for organizations and individuals” also called the “Cockroach theory”.

Keywords: Base of the pyramid, Cockroach theory, Scalable, Sustenance.

1. Introduction

Every organization wants to scale fast and grow rapidly, at the same time it is imperative that the business creates sustainable value not only for the establishments in concern but also for the society at large. The quest for wealth by serving the base of the pyramid markets was brought into focus when management thinkers C K Prahalad and S L Hart wrote about the proposition almost two decades back. Since then, many multinationals and large domestic corporations have seen profitable opportunities in serving the world’s largest market of more than four billion population. This segment has been largely ignored or overlooked because of the large presence of the informal unorganised sector in this market [1-3]. Hence it is surmounted by issues such as lack of knowledge, poor literacy, unattractive income levels, and tightly bound closed door communities. These bottlenecks make the entry and operational issues seem more difficult. Building sustainable and scalable businesses in unknown volatile terrains is not easy and there are bound to be a lot of learning’s involved. Over a period of time, these learning’s have been studied and certain best practices have been identified to enter and thrive in certain markets and uncertain terrains.

“The Cockroach Theory” or the “Theory of Sustainable & Scalable growth”- The simple cockroach has been in existence as far back as 320 million years, and they have been able to outlive humans even in nuclear wars, they are creatures that have been aggressively adapting to the surroundings around them and can survive even in extremes of weather. This adaptability enables them to find ways to survive in most environments. Though they have not been endowed with any special feature such as a bite or a sting, they are able to survive very discreetly over long periods of time. Even though some species are around in light spaces, they live collectively and supposedly as per studies take collective decisions on where to feed and live. Similarly, companies have to be keen to co-exist and adapt to circumstances’ if they have to survive in economically backward developing countries or emerging markets where the obvious attractiveness might be low [3, 4]. They have to constantly use their feelers to gauge the situation around them and react to these changes, strategize in groups and take collective decisions. Another aspect is, they can survive for even a month without food and then re-appear and continue as before. During dull periods companies need to react by toning down their sales models and keeping still for a while. The most important aspect, especially for our discussion on BOP segments in emerging markets is the critical criteria of success being co-existence [1-5].

Multinationals and corporations however large, need to realise the need to co-create and co-exist with the community, only this can give them scalable sustainable growth and acceptance in these markets.

2. The Cockroach Theory :

There are certain features of the cockroach that can be compared to be the key factors for sustainable and scalable growth in BOP markets, these are as follows -

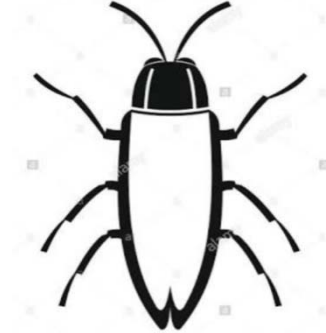


Fig. 1 : The Cockroach – an insect synonymous with indestructible features that enable sustainability and growth

Cockroaches have Feelers – these enable them to feel and smell, being highly alert and sensing any situation that could be a danger or threat.

Molting – Cockroaches have the amazing capability to molt and re-grow a lost limb. In many situations heavy losses may occur to business, strategies may incur high costs with no profits, operations and businesses should have the tenacity to bear the loss and re grow lost opportunities. In dull phases they will stay discreet and reappear with renewed ideas and strategies [8, 9].

An amazing feature is that a headless cockroach can live for several days because it breathes through its sides, not through nose or mouth. Business especially those embarking or having embarked to BOP segments and emerging economies will suffer a severe paucity of information. Even firms that have done years of ground research have failed miserably at times. Businesses need to sustain through the tough times because primary and secondary data cannot compensate for on the ground experience at a larger scale.

It has 3 pairs of legs – Almost all creatures of the insect family have three pairs of legs, every business has an open opportunity to tap the largest consumer base in the world. They can move over any territory or terrain but like the cockroach which is characterized by the fact that groups of cockroaches make collective decisions, similarly businesses have to use their collective information and take strategic decisions. The stakeholders, management, directors, administrative body, operational staff, everybody has to be involved right from top to bottom and a cohesive model that embarks being in the community as a part of it since a long time. Global practices cannot just be adopted blindly, and positive outcomes expected. Every move needs to be incorporated with a collaborative interdependence, like how cockroaches always live cohesively in groups only. Creating interdependence right at the lowest link of the value chain is critical for boosting margins and enhancing customer conversion [10-13]. When this happens communities will feel a sense of ownership in business development with community co-creation.

These creatures are blessed with a tough exoskeleton making them seemingly indestructible. Multinationals or large domestic corporations that venture to serve BOP markets need to be armoured with a tough skin. New markets and new terrains are not for the weak in any internal resource. A lot of investment and gestation is needed to start generating wealth in these markets. Certain strategies may create initial buzz and provide returns to distributors or break even profits but to sustain and scale the business constant reinventing and rethinking strategies are needed which may also fail at certain times [12].

Cockroaches are Omnivores – They will eat almost anything to survive. For building large scales of businesses in emerging economies especially in the BOP sectors, the important factor is to be able to digest all shortcomings that can come along the way and use these as food to sustain. For instance cases, such as the Aravind Eye hospital which uses strategic plan to leverage on community reach. There are no out of the world strategies of success, just simple co partnering and creating an inherent mutual benefit proposition [1-3]. We have heard a lot of terms such as value creation, social embeddedness, co-creation and so on. These all terms at one level talk about having your feelers out in the market and having a keen sense of understanding each market separately, because the BOP markets are not homogenous. In a country like India, there is great heterogeneity, shaping strategies suiting to the surroundings and then adapting it to the local conditions.

Cockroaches fit into extremely small spaces. It is very important like the cockroach to be as discreet as possible in a way that the communities perceive these businesses, people, and offerings as one of their own. They outlive humans even in the event of a full scale nuclear war; this is probably the biggest challenge to scale to a great extent. It is not possible to do so with one gigantic decision, it is a community we are talking about, the strategies itself should slowly grow out discreetly from one success to the next, the strategy that any successful multinational or corporation has not come put a single step, several successful experiments have led to small success that have been built upon to scale businesses. All along the way there has been a constant exercise of creating a sustainable business by creating products, strategies, and practices that have the ability to provide an opportunity to the BOP consumer to increase his quality of life.

3. Success Strategies for Sustainable and scalable growth in BOP Markets :

To sustain and grow in BOP markets in emerging economies some of the key success factors are listed below-

(1) Community Benefit Model - Any market entry mode in today's circumstances has to be an adaptive model where there is peaceful co-existence for the community and the corporation. The business has to create value for the community and improve the standard and quality of life for the people of the BOP market. It could be the most simplest product or the most complex technology oriented product but if there is no community involvement in the creation exercise or benefits that arise to the communities at large it is bound to fail or will only be a short lived phenomena.

(2) Collaborative Value Partnerships - For multinationals that enter low income markets with diverse products and technologies to suit the market needs a big risk arises because of unenforceable legal mechanisms to protect their internal resources and capabilities such as patents, brands and contracts. At this juncture the sustainable model would be to enter into collaborative partnerships with local firms or domestic players. This will give them the advantage of ease of adoption to domestic legalities and enforceable legal contracts to protect copyright and knowledge transfers that may be required. These partnerships should create value for both the parties involved; there have been cases where too heavy dependence on local partners expertise has failed business growth [9]. The expertise of local partners has to be sought for building social infrastructure and local legitimacy.

(3) Leverage on Global Strengths – While partnering locally and co-creation are the key success elements, they have to be worked along with leveraging on global expertise that the multinational or large corporations have built over the years. Certain best practices that have been tried and tested over the years can be adapted to suit local conditions and strength drawn out of this global expertise [13,14]. But in many cases where firms have relied on existing technology, products, partners, distribution models can call for doom. This expertise necessarily needs to be adapted to local conditions with involvement of local community and this model has to have a long term strategy to give scale to the operations. In many cases, initial successes have created internal cannibalisation of distribution models and local communities have been negatively affected by this move, any strategy adopted has to be scalable in the same manner with local involvement.

(4) Local Resource Sharing- Most BOP markets have non-governmental organizations and aided insinuations' trying to create fabrics of support for local communities and this fabric is upset by multinationals when they enter these markets. They need to make discreet movements so as not to upset the existing coexistence but incorporate themselves silently into this market. Local resources and capabilities have to be built by sharing resources and knowledge. These markets are characterized by social contracts, shared users of various assets and informal rules hence corporations need to focus on building inclusiveness and sharing of critical resources be it knowledge, know how, socio cultural systems and subsystems.



Fig 2: Key Success Factors for sustainable and scalable growth in BOP Markets

Most of the thinkers on sustainable businesses or on base of the pyramid markets theorists also have propounded scalability and building sustainable businesses in base of the pyramid requires innovative strategies that focus on sustainable environmentally and community friendly value chain creations that elucidate capability generation over time and in a sustained manner. Socially embeddedness is what will drive deep rooted business growth and sustenance.

4. Conclusion

The BOP opportunity space is dotted with a wide variety of different kinds of businesses, strategies and learning's that have been assimilated to arrive at critical success factors that have driven growth and sustainability. Over a period of time newer strategies, successes and failures could lead to different perspectives on what defines the key factors to sustain and grow. It is not important to find a fortune at the bottom of the pyramid, multinationals and even domestic players can successfully embrace this much neglected segment to generate wealth and work out a mutually beneficial socio economic development oriented approach rather than treating it as a separate segment to tap and serve. Wherever corporations have developed scale and sustainability strategies with the long term perspective in mind they have succeeded and the larger market space has been captured by them and enabled them to boost the revenues of their firms.

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