

Review

Market Rebels: How Activists Make or Break Radical Innovations

By Hayagreeva Rao

Reviewed by Carl Schramm

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Just Say “No”

Review by Jane Wales

DEAD AID: Why Aid Is Not Working and How There Is a Better Way for Africa

Dambisa Moyo
188 pages, Farrar, Straus,
and Giroux, 2009

As the global financial crisis unfolds, those least responsible—our world’s poor—will be most affected. Many have called upon President Obama to uphold his campaign commitment to double foreign assistance. But Dambisa Moyo’s book, *Dead Aid*, challenges us to think again. Although we can all agree that ending poverty is an urgent necessity, there appears to be increasing disagreement about the best way to achieve that goal.

Born and raised in Lusaka, Zambia, Moyo has spent the past eight years at Goldman Sachs as head of economic research and strategy for sub-Saharan Africa, and before that as a consultant at the World Bank. With a PhD in economics from Oxford University and a master’s degree from Harvard University’s John F. Kennedy School of Government, she is more than qualified to tackle this subject.

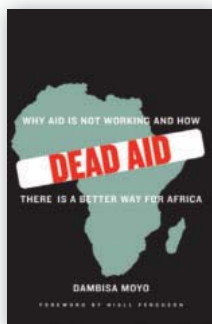
In *Dead Aid*, Moyo comes out with guns blazing against the aid industry—calling it not just ineffective, but “malignant.” Despite more than \$1 trillion in development aid given to Africa in the past 50 years, she argues that aid has failed to deliver sustainable economic growth and poverty reduction—and has actually made the continent worse off. To remedy this, Moyo presents a road map for Africa to wean itself of aid over the next five years and offers a menu of alternative means of financing development.

Moyo opens her case by writing, “Between 1970 and 1998, when aid flows to Africa were at their peak, poverty in Africa rose from 11 percent to a staggering 66 percent.” Today,

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Africa is the only continent where life expectancy is less than age 60. Sub-Saharan Africa remains the poorest region in the world, where literacy, health, and other social indicators have plummeted since the 1970s.

Pulling us through a quick history of aid, Moyo covers the many ways its intent and structure have been influenced by world events. She systematically challenges assumptions about the efficacy of the Marshall Plan, International Development Association graduates, and “conditionalities” that require adherence to prescribed economic policies. “By thwarting accountability mechanisms, encouraging rent-seeking behavior, siphoning away talent, and removing pressures to reform inefficient policies and institutions,” aid guarantees that social capital remains weak and countries poor. And Moyo’s list of aid’s sins goes on—including the crowding out of domestic exports and raising the stakes for conflict.



So what does Moyo propose we do? In her own version of shock therapy, she asks, “What if, one by one, African countries each received a phone call, telling them that in exactly five years the aid taps would be shut off—permanently?” The shock would force them to create a new economic plan that phases in alternative financing mechanisms as aid is phased out, she argues. These new financing mechanisms should include increased trade (particularly among African nations and with emerging markets like China, India, and Brazil), foreign direct investment, entrance into international capital markets, and increased domestic savings through remittances and microfinance. The end goal is to phase reliance on aid down to 5 percent or less within five years.

Sound impossible? Moyo doesn’t think so. Implementing this plan will be “dead easy,” she claims, but will require political will. This political will, Moyo argues, must be rallied by Western activists, for they are the only ones with the ability and the incentive to drive change. “It is, after all, their money being poured down the drain.” She is not the first

to call for a move away from aid dependency—although she may be the fiercest.

Moyo has only proven correlation, not causation, and although we can’t be sure how her prescriptions would hold up in the face of a global recession, she challenges us to think before we act. Moyo expands the boundaries of the development conversation—one that has become both more vibrant and more nuanced in recent months. Those of us rethinking aid can all agree that the time has come for deeper and more direct involvement of Africans in setting their own development course. As the African proverb goes: “The best time to plant a tree is twenty years ago. The second-best time is now.” Let us not waste any more time. Africa’s moment, and our moment, is now. ■

Greening the Corporation

Review by Amory Lovins

STRATEGY FOR
SUSTAINABILITY:
A Business Manifesto
Adam Werbach
240 pages, Harvard Business
Press, 2009

Adam Werbach is a wunderkind—at age 23, the youngest-ever national president of the Sierra Club—who has never suffered from conformity. When big environmental groups were being self-congratulatory, he deflated them with his iconoclastic 2004 speech and essay, “Is Environmentalism Dead?” When it was fashionable to bash Wal-Mart Stores Inc., he was one of a handful of environmentalists who saw promise and jumped in head-first, creating the Personal Sustainability Project for Wal-Mart’s 1.9 million employees, revealing how to influence the firm’s 200 million regular U.S. shoppers. Werbach went on to help create the “S” division (for sustainability) at the global advertising agency Saatchi & Saatchi.

Now in his mid-30s, Werbach is a fertile innovator of ways to make the world fairer, richer, cooler, and safer, all led by business for profit. He’s distilled his varied experi-

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ences into the useful and refreshingly nondoctrinaire book, *Strategy for Sustainability*.

The thesis of Werbach's book is arrestingly simple: harness corporations' capabilities, exploit their aversion to outcomes (like disease, climate change, and poverty) that are ultimately bad for creating a durable business, help them steer by a tall star, and then their innovations can help everyone. After all, corporations *do* rule the world, so how would you have them do it? (Of the world's 150 largest economic entities, the majority are companies, not countries. Wal-Mart in 2007, for example, was No. 33, bigger than Sweden.)

Fortunately, businesses, coevolving with a vibrant civil society, are the most dynamic force we know. They have the resources, skills, speed, leadership, and motivation to solve big problems quickly and to take those solutions to scale. How they innovate and lead will determine whether their success will bring benefit or harm to others and to the Earth.

The honor roll of firms that grasp this idea and are doing very well by doing good continues to grow and their achievements to inspire. Many have already saved billions of dollars by substituting energy efficiency for fuel—thus proving that climate protection is not costly but profitable. Increasingly, successful firms draw their strategic insights from nature—a 3.8 billion-year experiment in which the 99-odd percent of designs that didn't work got recalled by the manufacturer, and those that are still around teach us wonderfully about resilient design. Werbach notes scores of those lessons. (He misses a vital one—you can't get really good without strong competitors—but catches it later by advising firms to engage their critics as improvement advisors.) On this biological foundation, and assembling many companies' experiences, he builds a rough-and-ready but useful guide to changing corporate culture and operations in order to get ahead of change and build a resilient firm that benefits all.

Werbach prescribes three rules that companies should adopt to remain agile: transparency, engagement, and networking. He explains how both companies and their critics can succeed, not by confrontation but by mutual learning and *aikido*. The compelling cases in Chapter 4 make this thesis irresistible.



Strategy for Sustainability is useful not because it's long but because it's bite-sized; not because it's profound but because it's simple; not because it's densely packed with abstruse theories but because it tells vivid and interlocked stories that stick in the brain. It explains the obvious in ways

that are inescapably virtuous, profitable, right, and fun.

I enjoy this book especially because, like my own work, it's practice, not theory; solutions, not problems; and transformational, not incremental. I might wish that it more systematically applied the operational principles my coauthors and I developed in *Natural Capitalism* in 1999, but that wouldn't be fair: This book is about how to set and reach overarching corporate goals, not what the goals should be. Within this modest framework, Werbach has compressed much insight and some wisdom into a compact scope that tells you how to do right, make money, and thereby (to paraphrase Mark Twain) gratify some and astonish the rest. ■

Unleash the Hordes

Review by Carl Schramm

MARKET REBELS: How Activists Make or Break Radical Innovations

Hayagreeva Rao
222 pages, Princeton
University Press, 2008

Lost in many of the histories of Silicon Valley is the important role played by the Homebrew Computer Club. Founded in March 1975 (one month before Microsoft Corp.), the club was one of the cradles of the personal computing revolution about to sweep the United States. An avid group of people who enjoyed building their own computers and writing their own software, Homebrew eventually spawned 22 companies, including Apple Inc.

It is precisely this type of story that Hayagreeva Rao covers in his interesting new book, *Market Rebels*. For Rao, the untold story of economic change is the role of social movements in either promot-

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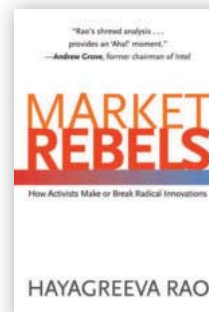
ing or suppressing innovations, often against stacked odds. He starts with the automobile. Rao sets out to deflate what he says is popular mythology that Henry Ford created the auto industry. Instead, it was the myriad automobile clubs that sprang up between 1895 and 1910, holding demonstrations and reliability contests, that "established the car as a cultural category." This is undoubtedly true, but Ford played no small role in the car's popularity. The emerging culture, after all, needed an object to venerate. Ford provided that with the introduction of the Model T in 1908.

Rao's next example is microbrewing: In 1980 there were eight microbrewers in the United States; by 2003, there were 1,492. What drove this extraordinary growth? "Evangelists," says Rao: "Beer enthusiasts were rebels who constructed a *hot cause* (the atrocious taste of mass-produced beer) and relied on *cool mobilization* (small brewpubs using traditional methods and authentic artisanal techniques that offered distinctive beers and, therefore, added to cultural diversity)." Hot cause and cool mobilization are the intended catchphrases of the book—activists in each area unfreeze an equilibrium and refreeze a new one. It's clever, but somehow feels forced.

In his presentation of social movements as an alternative to economic models, Rao caricatures economists as solely concerned with the iron invisible hand, not the "joined hands" that Rao celebrates. This is unfair. There are many economists concerned with the intricacies of economic behavior and its relation with larger social patterns. Rao simply dismisses Adam Smith's invisible hand as irrelevant, drawing a distinction between individual and collective action. But his descriptions of auto enthusiasts and PC evangelists seem exactly like people pursuing their own self-interests, with the result that society is better off. And Smith was part of the Scottish Enlightenment, which not only influenced

the founders of the American republic but also put much stock in the idea of spontaneous order. What are Rao's social movements but examples of this?

In other words, Rao describes exactly the phenomenon of economic change, and we should be thankful that he has connected social and eco-



conomic activities that are often treated separately. We speak of “the economy” as some disembodied mechanism that is malleable to our ministrations; we treat consumption of goods and services as if it were somehow shoved upon us by diabolical corporations. Yet, as Rao shows, much of what we call “the economy” is inseparable from everyday life. We enjoy the freedom (and pollution) of cars not because of that evil Henry Ford or scheming multinationals, but because a cadre of people were determined that they represented the future.

But not all is smooth sailing: The other side of what Rao’s market rebels do is “break” innovation. The two examples here are the anti-chain store and anti-biotechnology movements. In these instances, “weaker

organizational forms” take on, through “nonmarket” strategies, more powerful organizations such as Wal-Mart Stores Inc. No one enjoys seeing independent stores shut down, but there is good evidence that chain stores bring huge benefits in employment and efficiency. Plus, once you realize that many anti-Wal-Mart groups are funded by unions, the heroic rebels vs. evil empire archetype fades a bit.

Slightly more complex is biotechnology. True, many questions of morality and safety remain, but there is also great promise in new types of drugs. Rao focuses on the activist groups that in the late 1980s and early 1990s drove biotechnology research out of Germany. No matter your position on biotechnology, it can be difficult to see equivalence between au-

tomobile enthusiasts and groups that use arson as a method of persuasion.

A cynical reviewer might say that Rao has simply discovered capitalism. In the 1940s, Joseph Schumpeter wrote of the “perennial gales of creative destruction” that buffet the established companies of any economy. For Schumpeter, too, this was as much a social as an economic phenomenon.

The narrative of economic growth is always one of challenges to established interests. In this sense, Rao’s book appears at just the right time, when questions about whether and how to bail out entrenched interests—carmakers, financial conglomerates—are persistent. Rao’s answer, which he may not even see, is a resounding no: allow the rebellious hordes to save our economy. ■

DOG-EARED

The Ultimate Second Act

Review by John Wood

THE UNFINISHED PRESIDENCY

Douglas G. Brinkley
512 pages, Viking Press,
1998

Many of us will confront a luxury that our parents and grandparents never dreamed possible: the opportunity to create and live a “second act” of our adult lives. Retirement was once a brief window, enjoyed by the few and often filled with travel, television, and tedium. Now, as people retire earlier and live longer, many are discovering that there are two, three, or even four decades to fill.

Ideally, older people would watch the curtain rise on Act 2. Yet many Americans are failing miserably at creating a second life. A doctor friend of mine at a private clinic in Vail, Colo., reports that the leading prescription drug for wealthy retirees is antidepressants and the biggest family counseling problem is alcoholism. Rather than seizing the opportunity to use the wisdom of age and experience to redefine themselves, many Americans choose to languish.

For those interested in staging a second act, I strongly encourage reading *The Unfinished Presidency*, a stunningly inspiring and entertaining account of President Jimmy Carter’s “journey beyond the White House.” Noted historian Douglas G. Brinkley provides an account in depth of Carter’s resurrection from a failed one-term President to a widely respected, globe-trotting do-gooder.

The ashes from which this phoenix rose were formidable. Three major failures marked Carter’s presidency: 52 American hostages held for more than a year in Iran; an inflation rate of 13.5 percent; and unemployment of 7.5 percent. The nation felt humiliated by the Iran situation, and the economic conditions were so bad that presidential candidate Ronald Reagan talked of a “misery index” that was calculated by adding together the inflation and unemployment rates.

It would have been easy for Carter to retreat to a dark corner

and quietly lick his wounds. Or perhaps follow President Gerald Ford’s example and retire to the golf course. Carter, however, chose to find his redemption through action. With wife Rosalynn by his side, he donned coveralls and hammered nails on Habitat for Humanity building projects and launched the Carter Center in Atlanta. He flew (commercial!) to locations from Africa to Latin America to supervise elections and agitated for Middle East peace in various power centers. He launched an ambitious drive to wipe the treacherous guinea worm off the face of the Earth and at age 69 summited Mount Fuji. Never had the world seen such a peripatetic ex-President, nor one so devoted to helping create a more just and peaceful world.

I often consulted this book during my own journey of discovery. I spent Act 1 of my adult life working for nearly a decade at Microsoft Corp. For Act 2, I dreamed of launching an NGO (Room to Read) that would bring books and libraries to millions of children across the developing world.

But I was fearful of the loss of income and status that would be the doppelganger to this move. And then Brinkley’s book struck me like a gauntlet: If Carter could find a meaningful life after being the most powerful man on Earth, then what was to stop a mid-level 35-year-old executive from doing the same?

Many of us will have the great good fortune to have time for a second act, to do what my friend Dipak Jain, dean of Northwestern University’s Kellogg School of Management, calls “moving from success to significance.” We would do well to learn all we can from Carter’s inspiring example. By reading (or rereading) this book, all of us can aspire to aim high while contemplating our next acts. ■

JOHN WOOD is the founder and executive chairman of Room to Read, a San Francisco-based nonprofit that has established a network of more than 750 schools and 7,000 multilingual libraries across the developing world. He is the author of *Leaving Microsoft to Change the World*, a book chosen by Amazon.com as one of the top 10 business narratives of 2006.

