

# **The New Capitalist Manifesto: Building a Disruptively better Business (Book Review)**

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### **About the Author:**

Umair Haque is a London-based consultant. He is director of Havas Media Lab, founder of Bubble generation and frequent tweeter and contributor to the online Harvard Business Review. Haque's initial training was in neuroscience. He studied at McGill University Canada, went on to do an MBA at London Business School and is the author of *The New Capitalist Manifesto: Building a Disruptively Better Business* (2011).

### **General Review:**

Welcome to the worst decade since the Great Depression. Trillions of dollars of financial assets destroyed; trillions in shareholder value vanished; worldwide GDP stalled. But this isn't a financial crisis, or even an economic one, says Haque. It's a crisis of institutions--ideals inherited from the industrial age. These ideals include rampant exploitation of resources, top-down command of resource allocations, withholding of information from stakeholders to control them, and a single-minded pursuit of profit for its own sake. All this has produced "thin value"--short-term economic gains that accrue to some people far more than others, and that don't make us happier or healthier.<sup>1</sup>

Umair Haque conveys a harsh critique of the moral (ethical), social and economic (monetary) bankruptcy of 20<sup>th</sup> century capitalism. But haque goes further and distributes a bold vision, interesting framework and concrete examples of 21<sup>st</sup> century "Constructive Capitalism".

Basically, this book is about "Institutional Innovation" instead of producing better services and products, in 21<sup>st</sup> century. From the Institutional Innovation means; reinventing management in an organization so that it delivers a systematically more value sooner instead of generating systematically services and products of dubious ecological and social value. In simple words, it's a journey of imagination, where we will see production, consumption and exchange through new eye.

### **Problem Statement**

In the world economy trillions of dollars of budgetary resources annihilated; trillions in shareholder esteem vanished; overall GDP slowed down. However, this isn't a money related emergency, or even a financial one. It's an emergency of organizations goals acquired from the modern age. These standards incorporate widespread abuse of assets, top-down order of asset portions, withholding of data from partners to control them, and a resolute quest for benefit for its own purpose. This has created "slender worth" transient financial increases that collect to a few people significantly more than others, and that don't make us more satisfied or more beneficial.

### **Motivation of the study**

This study concentrate on rehashing administration in an association with the goal that it conveys a methodically more esteem sooner as opposed to creating administrations and results of questionable and social quality. In straightforward words, it's an excursion of creative ability, where one can see generation, utilization and trade through new eyes. Study gives us essential ideas on new private enterprise (21<sup>st</sup> century private enterprise) versus old free enterprise (twentieth century private enterprise) and makes the conflict that the present sort of free enterprise (free endeavor) might be not sensible any longer. Study edified the thought regarding slender worth and thick regard. These qualities lay that basis to how free enterprise may experience to meet the distinctive difficulties. Concentrate further depicts in point of interest the components of misfortune favorable position by re-conceptualizing, rearranging, reconstructing creation and utilization as a worth cycle rather than quality chain. Notwithstanding that concentrate further reported about acing flexibility that is upset yourself as opposed to securing yourself and disturb yourself before another person tags along and does it. The study is powerful in light of the fact that it characterize inventiveness as the capacity to make ultra-high-require with minimal effort markets where quality is thickest. Concentrate thoughtfully expound the valuable industrialists make "Unthinkable" new markets, fragments and Industries.

### **Contribution of the study**

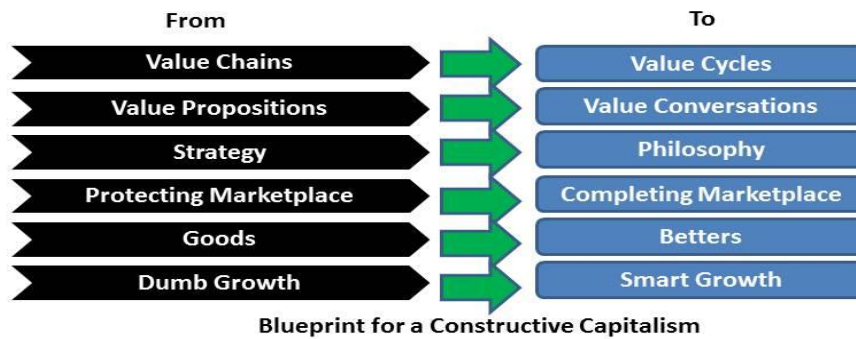
The book is intriguing, significant, splendid, scholarly and moral. As per its own specific benchmarks, it gives us regard (esteem), that matters, regard that will expand (duplicate) and regard that will last. The new entrepreneur pronouncement is book for the individuals who anticipating offers the respectable thought of both "financial quality" and in addition "thick esteem". This book adds to the business society and financial analyst will get extraordinary advantage from this book.

**Executive summary:**

Umair Haque divided his book into 8 chapters (six steps). The main concepts of the each chapter will be discussed below;

**Chapter 1: The Blueprint for a better kind of business**

In this starting chapter, haque give us basic concepts on new capitalism (21<sup>st</sup> century capitalism) versus old capitalism (20<sup>th</sup> century capitalism). This chapter makes the contention that the current kind of capitalism (free enterprise) may be not reasonable anymore. Haque enlightened the idea about Thin Value and Thick esteem. These values lay that groundwork to how capitalism might experience to meet the different challenges. Thin value is meaningless, artificial, and unsustainable comparatively Thick value. Mc Donald, Mc Mansion and Hummers; who get advantage when we eat/ consume enormous macs?”



**Salient Features:**

- Constructive capitalists were shifting from value chain to value conversation, when resources are utilized by renewing them instead of by exploiting them.
- Constructive capitalists were shifting from value propositions to value conversation, When resources are allocate democratically & respond better to demand & supply shocks.
- Constructive capitalists were shifting from strategies to philosophies, when to become more competitive over the long term in spite of just blocking competition temporarily.
- Constructive capitalists were shifting from protection to completion of their market places, when to create new arenas of completion instead of just dominating existing ones.

## Chapter 2:- Step One: Loss Advantage (From value chains to value cycles)

In this chapter, Haque describes in detail the elements of Loss Advantage (First step). "Loss advantage happens by re-conceptualizing, reorganizing, rebuilding production & consumption as a value cycle instead of value chain". He replaced the value chain into value cycle, where value cycle is based on simple objective that is waste nothing. But replenish every possible thing, by using the example of starkest & wal-mart strategies.

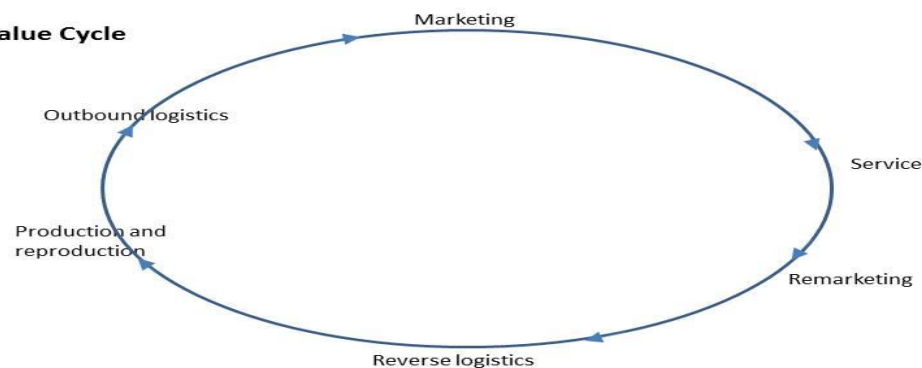
Walmart strategy for Constructive Capitalism:

1. Use 100% renewable resources.
2. To achieve zero waste.
3. To sell only those products that benefits the environment.

### The Value Chain

Inbound logistics → Operations → Outbound logistics → Marketing → Services

### The Value Cycle



### Salient Features:

- **Remarketing:**

Remarketing has to do with understanding what kinds of resources are renewable and can be fed to a cycle and which aren't and can't be. To build a value cycle is to be able to feed it stuff that can be cycled. Conversely, only when a company understands what it is depleting can it understand what to renew instead.

- **Reproduction:**

Manufacturing of the same product at low cost, instead of producing completely new product in the market.

**Example:** Nike has discovered a mix of materials; it is a process and treatments that isn't toxic, harmful or wasteful. It can reclaim shoes at the point of disposal. Once it can reclaim shoes, it can manufacture them at low cost, instead of producing completely new shoes- extending its newer, better kind of cost advantage.

- **Reverse Logistics:**

The third segment of a value cycle is reverse logistics, and the most efficient value cycles are the shortest. Value cycle owners always have an incentive to move production as close to consumption as possible to minimize how far resources have to flow to be recycled, remanufactured, re purposed and reused.

**Example:** As Nike develops its value cycle, ensuring that shoes don't just go from factory to the athlete, but back from athlete to the factory where they can be remanufactured.

- **Spinning:**

Fourth and the most powerful, value cycle must be spun. This spins the gear of production or reproduction into the motion. Cycle spins into two ways – Forward (from supply to demand) and Backward (from demand to supply).

### **Chapter 3:-Step Two: Responsiveness (from value propositions to value conversations)**

This chapter is all about ability & agility to engage suppliers, customers & the market related to mastering responsiveness. Hold value conversation instead of dictate value propositions. The main example to support this topic is "Thread less (T-shirt Company) business model". "21<sup>st</sup> century business are built on new institution that is value conversation but 20<sup>th</sup> century business were built on value propositions". The main pillars for value conversation are deliberation, participation, Dissent & association.

#### **Salient Features:**

- **Participant:**

Under the terms of orthodox capitalism only and only shareholders can participate because they hold equity but in constructive capitalism more parties than shareholders the right to participate in decision making. Constructive Capitalism focuses on empowering the community, while industrial age capital focuses to empowering just managers.

- **Deliberation:**

Deliberation is a deeper kind of democracy. Deliberation: reasoned conversation that details and debates trade-offs between parties with conflicting interests. Deliberation is rich with information and knowledge.

**Example:** Starbucks encourages discussion, context, and exploration, preventing drive-bys by placing ideas under review and moderating discussions.

- **Association:**

Association means demands of public spaces that are unencumbered and unencroached upon by vested interest, for conversation to ignite. Public spaces allow participants the freedom to deliberate without the fear of retribution, retaliation, escalation, whether from managers or other participants.

**Example:** At Wikipedia, anyone can become a contributor, editor or administrator and anyone can associate with any other contributor, editor or administrator. The result is a vast public space, open for deliberation's intense conversations.

- **Dissent:**

Dissent is the fourth pillar of the democracy. Dissent means granting at some meaningful level the power to veto features, attributes, products or services and entire business.

**Chapter 4:- Step Three: Resilience** (from strategy to philosophy)

It is all about mastering resilience that is “Disrupt yourself instead of protecting yourself” and “Disrupt yourself before someone else comes along and does it”. And the ability to evolve by challenging its own business model, products & markets”.

In thin value, Competitive strategies say, “Here how we will get people to buy our stuff, no matter what”. While in thick value, philosophy says, “Here how we will make stuff people want to buy, no matter what”.

Google is used as an example of resilient organization.

**Salient Features:**

Resilience is based on two principles,

**a) Knowing: (knowing about conflicts)**

First principle, specify how we will create thick value instead of merely blocking others from creating value. They identify specific circumstances in which we won’t engage in the anticompetitive practices of conflict we have identified as business as usual in our industry and how we will seek free and fair exchange instead.

Knowing conflict in the shape of;

- Price Fixing ( when prices are fixed markets are robbed of information)
- Bid Rigging ( when bids are rigged)
- Side Payments ( Kickbacks and side payments)
- Bundling and tying
- Division ( Territories are implicitly divided, to create monopoly)

**b) Synthesizing:**

The second stage/principle in crafting a philosophy is synthesizing knowledge to create first principles. Synthesizing of the knowledge give you limit and prevent failure from the specific kinds of conflict.

**Chapter 5:- Step Four: Creativity** (from protecting to completing a market place)

This chapter is fully about mastering creativity. Haque define creativity as “The ability to create ultra-high-need with low-cost markets where value is thickest”.

TATA, Hindustan unilever, Apple, Sony PS3vs. Nintendo wii , Microsoft Zune VS Ipod are the examples of creative organization who follow the principles of completing market place instead protecting market place. According to haque constructive capitalists create

“Impossible” new markets, segments & Industries. Perfecting imperfect market places instead of merely protecting them makes constructive capitalists. (Like TATA & Apple).

**Salient Features:**

There are four paths to perfection in constructive capitalism. How each leads to the creation of impossible new industries, market, and categories.

- **Meta:**

Meta means above and beyond. It has to do with information: what sits above and beyond markets and wires exchanges together. Often, markets remain incomplete because of poor information. The more expensive information is, the more costly transactions are, and the more categories and segments are underserved.

- **Micro:**

Micro has to do with divisibility often; markets remain incomplete because products and services are monolithic: only available in tatanic-sized increments, they cannot be subdivided. So they remain in accessible, unaffordable or unreachable for many categories and segments.

- **Macro:**

Macro has to do with turning products and services into assets. Sometimes, markets remain incomplete because the assets that underpin production and consumption are not tradable or are nonexistent in the first place\_ assets like knowledge, suppliers, distribution networks, or cash.

- **Ortho:**

Ortho has to do with simplifying complexity. Ortho means straight, or straightforward. Markets often remain incomplete because complexity imposes steep costs on production and consumption, rendering products and services uneconomical for many potential buyers, suppliers or customers.

**Chapter 6:- Step Five: Difference** (from goods to betters)

This chapter is all about mastering difference through focus on creating products that supports positive results instead just delivering functions & “ Constructive capitalists focuses on betters inspite of just producing goods – Bundles of products & services that make a difference to people, communities & society by having a tangible, meaningful, enduring positive impact on them”.<sup>15</sup> Nike & Nintendo wii are cited .

**Salient Features:**

How capitalists are making a difference to each.

- **Physical wellness**

In order to affect the category of physical wellness, you need to ask: do we make people physically healthier and fitter, and help them live longer? Do we help them exercise regularly, diet properly, and rest fully? Do we help them maintain better hygiene and cleanliness?

- **Social wellness**

Social wellness is about connection: the quality, intensity durability and quality of relationships. To affect this category of wellness, you need to ask: are we helping people have better relationship? Do we facilitate more trusted relationships, with prolonged contact and more affiliation between people?

- **Economic wellness**

Economic wellness is about helping others become more productive and efficient. In order to affect this category, you need to ask: Are our products and services usable? Are we making people more secure against economic volatility and in security?

Economic wellness isn't about simply selling people low priced goods and services because they often simply lead to greater learning, maintenance or replacement costs.

- **Mental wellness**

To address the category of mental wellness, you need to ask: Do we make people mentally healthier? Do we make people mentally fitter? Do we improving their thinking, reasoning, remembering and judging skills?

**Chapter 7:- Constructive strategy** (from Dumb growth to smart growth)

Haque discuss in this chapter, how constructive strategy & business will create on ideas such as creativity, resilience, Difference, Generosity etc. which is also known as "learning to carve a new capstone".

**Salient Features:**

- **Locally smart Growth**

Dumb Growth is locally self-destructive to people, communities and countries \_\_\_ because it's not built on investment, but on overconsumption instead. While smart growth is built on investment. Being locally constructive means feeling people and communities investing in themselves literally locally instead of merely consuming more and more disposable and ultimately self-destructive.



- **Globally smart Growth**

Dumb growth is globally self-destructive across countries, societies and continents because it requires the poor to subsidize and leverage the rich. Globally constructive growth happens instead, when the rich invest in the poor, so both can invest in tomorrow.

- **Economically smart Growth**

Dumb growth is economically self-destructive because industrial era business was dominated by diminishing returns economics. But in Constructive era business is dominated by increases in return; the more resources are utilized, the more valuable they become and more they appreciate.

### **Chapter 8:- Constructive Capitalism**

20<sup>th</sup> century capitalism does not fit into 21<sup>st</sup> century economics neither do 20<sup>th</sup> century capitalist. They are caught in dilemma (20<sup>th</sup> century).

Thick value is value that is more sustainable, meaningful and authentic than that of rivals.

- Sustainable value is value that lasts beyond production and consumption. Thick value is driven by investment in tomorrow, replenishing what is taken and caring for what is seeded.
- Meaningful value is value that matters. It has a greater, more positive impact on people's outcomes in ways that matter most of them.
- Authentic value is value that grows; it benefits boardrooms, shareholders, people, communities, society and the natural world. Competitive advantage is often selfish but constructive advantage creates authentic value that accrues to many or all.

This chapter gives the proper definitions of the entire constructive capitalism's steps.



### Critique:

The main issue with haque's illustrations ( examples) are that more than half are expansive (large) companies that have the money to try in making the " better business" move and after that others started in " better business" practice ( social enterprise). Examples are Apple, Nike, Wal-Mart, Google, Threadless Company, and Grameen Shakti etc.

### Conclusion:

In General, the book is interesting, profound, brilliant, academic and ethical. According to its own particular standards, it gives us esteem (value), that matters, esteem that will increase (multiply) and esteem that will last. The new capitalist manifesto is book for those who looking forward to share the noble idea of both "economic value" as well as "thick value". I refer this book to anyone who cares or thinks about the future of humankind.

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