

Business at the Service of the Poor: Perspectives and Possibilities

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Abstract

One of the promising trends emerging in management thought and practice is the turning of the corporate mind towards the poor and the problem of poverty. It is a significant event because it is a turning of the most powerful, influential and innovative organ of our modern age, which creates wealth for the society, towards one of the most challenging problems of humanity involving distribution of wealth. This confrontation can turn out to be a very creative one with beneficial results for the future of the world economy. This article examines the possibilities and potentialities of this engagement in the light of an integral vision of human development.

Keywords: *Fighting poverty with profit, Beyond poverty eradication, Corporate social responsibility, Community development*

1.0 BUSINESS AND THE PROBLEM OF POVERTY

Poverty and inequality are undoubtedly some of the most challenging problems of our modern age. According to some statistics, there are four billion poor people in the world living with income less than 700 US Dollars per year. On the other hand, at the top of the income scale are a few million rich with an income of more than 20,000 US Dollars per year.

At present, the battle against poverty was fought mainly by three categories of players. First is the national or regional governments and the government institutions. Second, charitable organizations and donor agencies like the Rockefeller Foundation or the World Bank; third is the NGOs and social reformers like the SEWA in India. Most of the government programmes on poverty alleviation in Asia and Africa are dismal failures.

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Controlled by corrupt and mediocre politicians and stifled by a slow moving, stagnant and inefficient bureaucracy, the governmental apparatus has become more of a machinery than a living human organism, incapable of solving any challenging problems. The politician and the bureaucrats are not able to do much to solve the problem of poverty except shouting slogans and giving doles. NGOs and charitable organizations are able to achieve better results on the poverty front because of a greater moral commitment and a more focused approach to the problem. But money and moral commitment alone are not sufficient for solving the problem of poverty. Many other factors are needed and one of the most important is the expertise in creation and distribution of wealth.

We cannot hope to solve the problem of poverty without building the capacity to create wealth in the poor. And who else is better equipped to do this task than business, the natural creator of wealth for the society? Here comes the importance of involving business, in the task of eradicating poverty. Let us now examine some of the innovative ideas emerging in the corporate mind for tackling the problem of poverty.

2.0 FIGHTING POVERTY WITH PROFIT

Until recently, business, especially big business, showed very little active interest in the problem of poverty except pouring some money in the form of charity. This is because Captains of Business thought that they can gain nothing by serving the poor. The main purpose and process of business is to create wealth by selling their product and services to the customer with a profit. And there is neither wealth nor profit in creating wealth to the poor. This may sound obvious and perfect common sense or business sense.

But the essence of creativity is an uncommon sense, which distrusts the obvious and can look behind or beyond it. The distinguished management thinker, C.K. Prahalad, displays such an uncommon sense when he argues, turning common sense upside down, that in the future there is more profit in selling to the poor than to the rich. The well-known management guru in his book on "Eradicating Poverty through Profit" counsels big business to turn their attention to the poor, not for any charitable or moral reasons but because the poor of the world at the bottom of the income pyramid represent a sizeable and profitable

market. The author of the book images the consumer population in the form of a pyramid with the small minority of the rich at the narrow tip in top and the vast population of the poor in billions at the 'bottom of the pyramid' which he calls as the BOP Segment. "The real source of market promise" declares Prahalad, "is not the wealthy few in the developing world or even the emerging middle income consumer. It is the billions of aspiring poor who are joining the market economy for the first time." (Prahalad, 2005)

The main thesis of Prahalad is that the process and fruits of globalisation and market forces can be channelised to benefit the poor. The poor cannot participate in the benefits of globalization without an active engagement and without access to products and services that represent global quality standards. They need to be exposed to the range and variety of products, services and opportunities which globalization can provide. It will create choice for them. They need not depend on what is available in their villages or local communities. What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are

actively engaged and at the same time the companies providing products and services to them with a profit. This requires large firms to work collaboratively with civil society organizations and local governments. The opportunities at the BOP cannot be unlocked if large and small firms, governments, civil society organizations, development agencies and the poor themselves do not work together with a shared agenda. The other interesting idea is the concept of World Development Corporation, propounded by George C. Lodge a Professor Emeritus at Harvard Business School. As he explains the essence of his proposal:

"The solution is an entirely new engine of change: a World Development Corporation (WDC). This entity could be chartered by the United Nations and established as a joint venture by a select group of global corporations based in Asia, Europe and North America. Assisted by rich governments and by loans from development banks, the WDC would bring to impoverished areas, technology, credit, access to world markets and management know-how. Its projects would need to be subsidized at first but should become profitable in the long-run. This last element is critical, for there is not enough charity

or taxpayer money to make a sustainable difference; only the profit-motive can do that.”(Lodge, 2002).

The third approach is the concept of “socially conscious enterprise” of Mohammad Yunus, Noble Laureate of Peace and the founder of Grameen Bank. Yunus is well known for his highly successful micro-credit experiment and enterprise. However, in his autobiography, he spells out a blueprint for poverty-eradication based on his Grameen experience. According to Yunus there are three categories of entrepreneurs. The first type is the exclusively profit-oriented with no social concerns. On the other side, is the one with a strong social conscience who tries to run his business with a predominant social purpose? The third is the one who mixes profit-orientation with social concerns. The most effective way to tackle poverty is to actively promote and encourage the last two categories of socially conscious entrepreneur through appropriate incentives. The founder of the Grameen bank spells out the ideals of a socially conscious enterprise, when he outlines what he calls as the Grameen philosophy.

“Grameen is committed to social objectives-eliminating poverty, providing education, health-care, employment opportunities, ensuring the well-being of the elderly. Grameen dreams about a poverty-free, dole-free world. Grameen is against the existing institutional framework. It opposes greed-based enterprise. It wants to compete with and drive them out through the creation of strong socially conscious driven enterprises. Grameen believes in social intervention without government getting involved in business. Social intervention should come through policy packages encouraging business to move in the socially desired direction, providing incentives to socially-consciousness-driven enterprises (Yunus, 1998).

The main difference between these three models is that while the first two, that of Prahalad and Lodge, are predominantly economic and profit oriented, that of Yunus is predominantly social and welfare oriented. In the Grameen philosophy of Yunus, the profit is not an end in itself but only a means for the economic and social upliftment of the poor. As Yunus explains:

“If Grameen does not make a profit, if our employees are not motivated,

we will be out of business. In Grameen we always run on profit, to cover all our cost, in order to protect us from future shocks and to carry on expansion. Our concerns are focused on the welfare of our shareholders (who are the poor borrowers) and not on immediate cash return on their investment dollar." (Younus, 1998)

3.0 THE POSITIVE FEATURES

Let us now examine some of the positive features of these three business-oriented approach to poverty-eradication. One of the oft-repeated criticisms against globalization is that it has benefited only the rich and excluded the poor. Prahalad provides an alternative model of "inclusive globalization" by which the benefits of globalization can reach the poor. The author seems to suggest that it is possible to harness the potentialities globalization, market-forces and technology for the benefit of the poor and create a new form of "inclusive capitalism" which links the rich and the poor, big business and the BOP segment in a mutually beneficial "win-win" cycle of development.

The other perceptive feature of Prahalad's vision is that it envisages a close co-operation or "co-creation" between the various players involved

in the task of poverty alleviation like the NGO business, donor agencies and the local or national government. This may not be easy to achieve because most of the NGO's view big business with suspicion and mistrust. Such an attitude is to a certain extent justified when we look at the past history of big business in its attitude to the poor and the environment, which is much to be desired. As long as the dominant attitude of big business to the poor is selfish and exploitative or pretending to be benevolent but with an ulterior motive, then NGO's hostile and suspicious postures against big business is not altogether unjustified. We can even say that NGO activism and its vigilant, critical and militant attitude to big business had helped in checking the rapacity of the rogues in the corporate world. But at present great winds of change are blowing over the corporate life. Business ethics is one of the seriously debated subjects in the corporate world and in B-Schools. The concept of corporate social responsibility is on the threshold of becoming one of the dominant values of business. So NGOs should not cling to the prototypal thinking that all big business is an evil monster bent on exploiting the poor. When there is a positive change in the corporate world

and a sincere commitment to the poor, the NGOs have to collaborate, even while keeping a vigilant eye and a long-term perspective on the impact of the activities of business on the lives of the poor, especially in the domains of environment and culture.

In fact co-creative interaction between the NGO and big business can lead to much mutual benefit and learning, if both display sufficient maturity to understand each other's perspectives and interests. NGOs can learn a lot from the professionalism and the managerial and technical capabilities of big business and big business can learn much from the humanistic, environmental and cultural sensibilities of the NGO. We are of course, talking about the genuine and sincere NGO, not those who spend most of the time and energy in fattening their treasure-chest with donations and maintaining a lavish life-style for their executives rather than on serving the poor and the down-trodden. So Prahalad is perfectly right when he asserts that the battle against poverty cannot be won without a close co-operation or "co-creation" between the various player involved in the task, like the NGO, Business, Government and most importantly the ultimate beneficiary, the poor themselves. Here comes another

important factor in Prahalad's idea. It aims at an active involvement of the poor in their own redemption and creating entrepreneurs among the poor.

The second approach, the concept of World Development Corporation is also an innovative idea which can bring the combined resources, talents and energy of big business for tackling the problem of poverty. And big business has many advantages over other players and many potent weapons in its armoury. The most important and central is the core competence of business for efficient and productive organization and deployment of resources, not only financial resources, but also human, technological, managerial and knowledge resources. For modern business is not merely money and stock exchange. It is the bastion of pragmatic knowledge and innovation, technological and managerial competence, and a great executive force which can convert an idea into material reality with the highest efficiency. And in our modern age, Business is the most innovative, dynamic, progressive and adaptive social institution with a consummate skill in absorbing and assimilating the fast-changing global environment. Involvement of big business in poverty alleviation can bring all these resources

and capacities of the corporate world to the task. The highest and the most creative form of charity which business can make is to transfer some of these unique wealth creating capacities to the BOP community. The other advantage of big business is the power and influence they can exert in moving the levers of government. As Professor Lodge points out: "Corporations also enjoy remarkable access to power. Big companies are able to reach and pull the levers of government in order to get a road built, to have a power line strung or to obtain a police protection for a project"(Lodge, 2002).

The Development Corporation organized by business and run on business-lines need not necessarily be global. It can also be national or regional. And the national or local business associations can play a catalytic role in organizing such corporations. An example of such a regional development corporation, mentioned by Professor Lodge in his article is the Latin American Agribusiness Development Corporation (LAADC) made of 16 major finance and agribusiness companies which helped establish and promote hundreds of agribusiness enterprises run by BOP communities.

Another important factor to be noted here is that the involvement of big business in rural development programmes can rectify a major defect, which has crept into the theory and practice of the rural development movement. From the ancient to modern times, village development was based on the concept of local self-sufficiency. Though this approach has certain advantages in terms of preserving the culture and the natural environment, it shuts off the village community from the changing world-environment and as a result became a source of stagnation and decay. In a world governed by the laws of interdependence, connectivity and rapid change, the best strategy for sustainable development is not local self-sufficiency but a dynamic equilibrium with the changing global environment, which means, creatively assimilating the changes and influences of the surrounding global environment to unique needs of the local environment. The path of local self-sufficiency creates a closed system subject to the laws of entropy. On the other hand, the path of dynamic equilibrium through open interaction and interchange with the surrounding environment creates in the collective human organism the capacity to grow

in harmony with the evolving world. Modern business, especially the global business, mostly pursued the strategy of dynamic equilibrium. And involvement of business in the development of rural communities, can impart some of its adaptive resilience to the community.

The third approach, Grameen Philosophy of Yunus, has the advantage of combining profit-orientation with moral commitment to the eradication of poverty and a long-term vision or hope of a world free from poverty. Both these factors are needed for poverty alleviation. The Profit-motive is necessary for the economic sustainability and moral commitment and vision for sustained motivation. We will return to this subject again a little later.

4.0 LIMITATIONS AND CORRECTIVES

We have discussed so far the main strengths of the business-oriented approach to poverty alleviation. Let us now examine some of its limitations.

The main limitation of the first two approaches of Prahalad and Lodge is the lack of a deeper moral and spiritual perspective. We cannot say that their ideas are entirely lacking in the moral element. For every idea or activity which shows a genuine

concern for poor is moral. What is lacking here is a long-term moral commitment to the poor. The concept is more pragmatic than moral. As Prahalad himself states "This book is concerned about what works. This is not a debate about who is right" (Prahalad, 2005). According to Prahalad poverty-reduction has to become an integral part of the business strategy. The BOP market, writes Prahalad, "must become an integral part of the work of the private sector. They must become part of the firm's core businesses. They cannot be merely related to the realm of corporate social responsibility initiatives" (Prahalad, 2005). This is undoubtedly a better approach than signing a cheque of charity or taking up social responsibility projects as a minor or secondary or fringe activity either to appease a troubling conscience or because it is the latest fad in business.

But the question is can a complex and difficult effort like poverty-alleviation be sustained without a firm moral commitment? If due to some changed circumstances or difficulties in the business environment, the BOP segment becomes temporarily unprofitable,

then the worthy idea and the project have to be shelved by business?

There are three reasons why Business has to take up the project of poverty eradication as its moral mission and not merely as a business proposition. First reason is that purely economic motives and aims do not have much creative and motivational force. They may lead to some immediately effective and pragmatic innovations but do not give the inner strength and force to realize great ideals or solve global problems like poverty. Only a moral and spiritual dedication to an ideal that transcends the economic, social and political self-interests of the individual and the group can release such a higher creative energy. This motivational potential of a moral cause and long-term vision is now recognized in business. As James S. Burke a former CEO of Johnson and Johnson points out:

“Here we believe strongly in three things, decentralization, managing the long-term and the ethical principles embodied in the credo. Credo is the sort of things that inspires the best in people. I think that all of us have a basic moral imperative hidden somewhere in us. In some people it is more central to their being, but it’s

always there. To tap that well-spring creates energy that you can’t get anywhere” (Burke, 1986).

The second factor is the rationale behind the concept of corporate social responsibility. An institution which creates wealth has a moral responsibility to ensure that the wealth it creates is equitably distributed in the society. The third factor is civilisational. The eminent historian Arnold Toynbee perceived that every human civilization is presented by Nature with certain challenges and the future of the civilization depends on how it tackles these challenges. Poverty and inequality is perhaps one of the challenges thrown by Nature to our modern civilization. And here again business has a moral responsibility to take up the challenge not only because the problem or challenge is closely related the social function of business as the creator of wealth, but also because business is better equipped than other social organs in terms of resources and skill for dealing with the problem.

So global business has to consider poverty-eradication as its global responsibility to humanity, commit itself to the task with or without profit and persist in it inspite of temporary

difficulties and failures. The corporate world of business as a whole should have a long term moral and spiritual vision for creating a beautiful, harmonious and equitable economic order, in which poverty is eliminated at its roots. Every business organization, individually or in collaboration with other organizations, each one according to its capacity, can contribute something to the progressive realization of this vision, smaller organizations can work at the level of the local community in which they function and the bigger organization can contribute at the national and global level. For example, global business may create a global framework for promoting creative research and thinking on all problems and issues related to poverty and creation or distribution of wealth among the poor.

We must note here that such a selfless dedication to an idea or activity, which contributes to the common good; progress or wellbeing of the collectivity or humanity never goes unrewarded by Nature. It creates a positive Karma for the organization and also expands the consciousness of the group, which brings in higher creative energies of universal Nature. This, in turn, leads to the moral as well material progress

of the organization. For a mental, moral or spiritual idea, lived in action, releases a corresponding mental, moral or spiritual force, which ultimately produces material results. This is an Indian insight, which has empirical support. James S. Burke, former CEO of Johnson & Johnson undertook a study to understand the impact of social responsibility practices on the bottom-line. Burke and his staff examined 26 companies that had a written codified set of principles stating that public service was central to their being. On the results of the study, Burke states:

“Results were eye-opening, though all along I suspected how it could come out. What we found was that those companies with a written commitment to social responsibility recorded an average of 10.7% growth in profit compounded over 30 years. What this study says is that companies that have a commitment and know what they believe in will overtime outperform those which do not”(Burke, 1986).

The other limitations of the Prahalad’s model is the narrow and limited view of the poor as a consumer of goods and services. And the poverty alleviation is viewed in terms of enhancing the “consuming capacity” of

the poor and make them consume more and more of the goods and services offered by business. The goal or ideal to be achieved is to uplift the economic condition of the BOP population from the status of the poor to that of the middle class. This approach, as the many examples given in the book by Prahalad indicate, might have benefited the poor. But a broader vision of the development process and its beneficiaries, in which poverty alleviation and profit come as natural by-products of greater aims of development, may perhaps yield better and more qualitatively superior results.

The Grameen philosophy of Younus presents a broader vision of the development process. However an exclusive focus on poverty alleviation may also prevent the eye of vision from looking beyond poverty-eradication to the higher aims of development. For elimination of poverty cannot be the highest goal of development. There are other and higher goals like integral well-being or integral development of the human potential in all the dimensions of human life—individual and collective, material, ecological, psychological and spiritual. Poverty-eradication can only be a stage in the evolution of human life towards these higher goals. We

may have to focus predominantly on poverty-eradication at a certain stage of development or in some communities or nations, if that is the most pressing need of the stage or the society. But, even while doing it, we have to prepare the community simultaneously, mentally by education and vitally by creating the required infrastructure, for the higher stages and aims of development. For example we have to think about how to manage the growing prosperity, which emerges from the progressive elimination of poverty. We have to ensure that this newfound prosperity does not lead to ecological, social or cultural deprivation. This requires a more integral vision of human development.

5.0 BUSINESS AND COMMUNITY DEVELOPMENT

So we have to proceed further beyond poverty-eradication. Here comes some of the limitations of the concept of corporate social responsibility. Most of the CSR concepts and practices in business are focused on the poor and disadvantaged section of the society. Though this is a highly desirable ideal, a broader and a more holistic perspective which views corporate social responsibility as a social intervention for felicitating and

participating in the development of a community as a whole will probably lead to a better result in the long-term. The aim of community development cannot be exclusively the poor and under privileged, but the development of the community as a whole with an emphasis on empowering people, equitable growth, communal harmony and progressive evolution of the community towards its highest and integral potential.

A total human development process, which leads to this integral development of the human potential in a community, is made of three stages. These stages can be pursued simultaneously, but with a predominant emphasis on some aspects or dimensions of development at each stage. The first stage involves fulfillment of the basic needs of the population; creation of employment opportunities and development of employable, productive and entrepreneurial skills in people; satisfaction of the desire for a better enjoyment of life and also better utilization of the opportunities of life; and finally creation of all other factors which lead to an overall material and economic well being of the community like for example health, hygiene, nutrition and ecology. Second stage is

the realization of the social, cultural, political well-being which involves the actualization of the triple values of French revolution, liberty, equality and fraternity in the outer life and preservation of all that is valuable in the local culture. Liberty means not merely individual rights but a free participation of the people in their own development, especially in decision making, with maximum freedom to grow from within through a self-directed development and minimum of external rules or compulsion. Equality means equitable distribution of or access to wealth, power, knowledge, resources, opportunities and an equal, full and joyous participation of each individual in the communal life. Fraternity means social cohesion, solidarity, harmony and comradeship. Third stage is the mental, moral, aesthetic and spiritual development of the community.

In a more psychological perspective, the first stage is the fulfillment of the needs of the physical being or the body. Second stage is the satisfactions of the needs of the vital, emotional and sensational being for wealth, power, enjoyment, status, recognition, harmonious relationship, achievement, expansion, autonomy and mastery. Third stage is the quest of our higher

mental, moral and spiritual nature for knowledge, understanding, values, ideals and reconnect our souls with the spiritual source of our own being and the universe, which is the highest aim of religion.

One of the major aims of this third stage of development is to fully internalize the triple values of French revolution in the mind, heart and soul of the people so that the outer, civic liberty, equality or fraternity becomes a spontaneous expression and organization of the inner liberty, equality and fraternity, firmly established in the consciousness of the community. As the outer needs of the body and life are reasonably fulfilled the predominant thrust of development has to shift from economics, politics or external machinery to the awakening and fulfillment of the deeper, higher and inner needs of the mind, heart and soul through education and human resources development.

The execution of this integral vision of development requires a network of institutions and organization working together in close co-operation for the total development of the community. The main players would be government organizations, NGOs, donor agencies, business, local

institutions which represent the will, voice and wisdom of the people and other organizations which have specific expertise in dealing with the various stages or aspects of development. The administrative organ which governs the development process should contain representatives from all these institutions. Management of the development process requires an apex body which draws the strategic plans and goals, co-ordinates and monitors the activities of the various institutions and directs them to the targeted goals. Each institution involved in the development process, especially its leaders and managers, should have a clear perception and understanding of the integral vision and its specific role in it, even while focusing its attention and effort on some aspects, domains or tasks of development. The function of business in this scheme would be in general to provide products and services which correspond to the progressive and evolving human needs, and in the process earn profit for itself, create wealth for the society and help the community to grow. The intrinsic function or dharma of business is to fulfill the material and economic needs of the community and strive for a constant and continuous improvement in the quality and well being of the

material and economic life of the group. However, as the community evolves and progresses beyond the initial stages of economic development to the higher stages of social, cultural and psychological development, business has to adopt itself to this growth and has to provide products and services which correspond to the needs of these higher stages of growth.

6.0 CONCLUSIONS

Business has a great potential in terms of resources and competence for making a significant impact on the problem of poverty and equality. The new mantra emerging in the corporate scene, "fighting poverty with profit" is a promising trend because it can turn the immense resources and capabilities of the most powerful and innovative social organ of our present age towards the most challenging task facing humanity. But profit motive alone is not sufficient to overcome a major and persistent problem like humanity; it

requires a strong moral imperative to provide a sustained motivation. Secondly in a long-term perspective, the corporate world must think beyond poverty towards the higher stages and aims of human development. The CSR initiatives have to be fully and holistically integrate with these long-term aims of human and community development.

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