

Chapter 16

A Critical Examination of the Assumptions, Beliefs and Ethical Considerations that Underlie Business Models of Global Poverty Reduction

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ABSTRACT

As part of the process of globalization, business models and approaches are being developed that aim to both create profits for the participating companies and reduce poverty. These models include BoP (Base of the Pyramid), Inclusive Business and Business with the Base of the Pyramid. This chapter will focus on the base of the pyramid approach as it is the most widely known and is being adopted by important agencies such as the Inter-American Development Bank as its focus.

This chapter will aim to identify and look critically at the underlying assumptions and beliefs behind this model. In so doing, it will further examine the ethical considerations that are at the root of this approach.

Having identified key ethical considerations, a number of interviews will be conducted with people involved in these initiatives in three different Latin American countries focusing on how they have dealt with these ethical issues in practice. The data collected from these real cases will provide input for analysis. Using the ethical framework constructed in the chapter, three case studies will be offered by conducting interviews with people working in this field in different Latin American countries.

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These interviews will aim to explore how different practitioners think about and work with these ethical issues in practice. A social constructionist perspective will be used to understand how the people interviewed construct the way they understand the role of business in alleviating poverty, and the explicit or implicit role of ethics in this.

INTRODUCTION

As the twenty first century has unfolded, the growing environmental and social problems of the world have made themselves increasingly evident (see, for example, yearly State of the World reports of Worldwatch Institute 1986-2010). Key aspects of globalization have been the motor driving some of these problems - increased world trade leading to increased natural resource consumption leading to environmental degradation, loss of ecosystems and climate change.

At the same time, other aspects of globalization, particularly the growing availability of information technology, have helped spread awareness of these problems, and the creation of what Paul Hawken (2007) has estimated as over half a million different civil society groups with humanitarian and/or environmental aims. It has become commonplace to state we live in an interconnected world - technologically, environmentally, economically and culturally. There are many different ways of conceiving and understanding globalization but nearly all globalization theories emphasize connection and greater flows of capital, resources, people and ideas.

Growing awareness of the potentially precarious state of the planet, and the negative contribution that business organizations have traditionally made to this, have led many people to begin to question the traditional role of business as simply to make profits. Writers and environmentalists such as Paul Hawken (1993), academics such as Stuart Hart (2005), and industrialists such as Ray Anderson (1998), as well as organizations like the World Business Council on Sustainable Development and the UN Global Compact have proposed that it is now the pressing and leading

role of business to adopt practices that at the very least stop further environmental damage and, at the best, actively help to restore eco-systems.

Their common argument is that it is business organizations, working in concert with government and civil society, that need to assume a leadership role to reverse the process of environmental damage that could ultimately lead to the destruction of the natural resources upon which the economy, and all life, is based. This is because it is only businesses that have the power, the technology, the global reach, the financial muscle and the human resources to be able to adequately address major environmental challenges such as climate change and eco-system degradation.

During the time in which the relationship between business and the natural environment is being rethought, there has simultaneously been a rethinking of the relationship between business and poverty. The argument is being made that the role of business in society is no longer solely to make profits - in contrast to Milton Friedman's argument in his New York Times article (1970) that "The Social Responsibility of Business is to Increase its Profits" - but to do so in a way which helps to eliminate poverty and further social justice. Business, therefore, has a key role in facilitating social change.

The environmental and social dimensions of business, alongside its traditional aim, which is to generate profits, have come to define the triple bottom line (Elkington, 1994) - the three pillars on which the new sustainable enterprise will be built, focusing on people, profits, and planet.

In the next section of this chapter we will present and analyze the different models particularly the BoP model, as formulated by Prahalad (2002,

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