

タイトル	Tapping into New Markets and Alleviating Poverty Simultaneously through Multinational Companies
著者	Sugawara, Hideyuki
引用	北海学園大学経営論集, 5(3): 29-43
発行日	2007-12-00

Tapping into New Markets and Alleviating Poverty Simultaneously through Multinational Companies

Hideyuki Sugawara

Abstract

Reducing poverty through multinational companies (MNCs) is a truly inspiring idea. This paper examines the possibilities of reducing poverty through MNCs as a new approach to this issue that differs entirely from the conventional prescriptions. When organizing the debates that have been held to the present concerning the attractive ideal of reducing poverty through MNCs, three major groups are revealed.

For this innovative approach of reducing poverty through MNCs to succeed realistically, certain requirements and sufficient conditions must be fulfilled.

Rather than perceiving developing countries as the end point for innovations, MNCs can perceive the BOP as the starting point for innovations. Employing innovations that involves the poor will come to be a requirement.

However, as this will involve high risk, it will be difficult for the MNCs to deal with the situation single-handedly. Cooperation and coordination with the government of developing countries, international

agencies, and NGOs will be indispensable. Frameworks and platforms for risk sharing and minimization is sufficient condition.

Keywords: base of the pyramid; Next 4 Billion; World Development Corporation (WDC); Global Sustainable Business (GSB); poverty reduction

1. Introduction: Can Poverty Reduction Turn Into Business?

This paper examines an inspiring vision which multinational companies are finding innovative ways to tap into the neglected poor markets to increase their profit while simultaneously reducing poverty.

To this day, the global community continues its massive efforts to eradicate poverty, having spent in excess of \$2.5 trillion (equivalent to four years of Japan's national budget) over the past 50 years (Lodge and Craig, 2006b). Nevertheless, the reality is that over half of the people of the world still suffer from poverty.

The number of poor people in the

world who live on under \$2 per day (in terms of purchasing power parity; same applies hereafter) is around 2.8 billion, accounting for approximately 53% of the world's population (World Bank, 2005). Moreover the number of people living on under \$5 per day is around 4 billion, constituting about 65% of the world's population.

Although the percentage of the world's population living on under \$2/day showed a decline of around 15 points between 1981 (66.7%) and 2001 (52.9%), the margin of decline is smaller when China is excluded, constituting only 4 points; 58.8% (1981) to 54.9% (2001) (World Bank, 2005).

When confronting this severe reality, none of the efforts to reduce poverty that have been made to the present -- including structural adjustment loan facility, development assistance, waiving of debt, promotion of education, control of population increase and other prescriptions -- have produced the expected results. Although it is undeniable that international organizations and the governments of developed nations have extended development assistance and that nongovernmental organizations (NGOs) have worked to eradicate poverty, reconsideration is clearly needed. It is not enough to continue the conventional approaches; new solutions are required.

The purpose of this paper is to investigate the possibilities of reducing poverty through multinational companies as a new approach to this issue that differs entirely from the conventional prescriptions.

Is it possible for multinational companies to reduce poverty? Could reduction

of poverty through multinational companies be turned into business? Could multinational companies become key players in poverty reduction? This paper seeks to delve into possibilities pertaining to these intriguing and challenging issues.

In reality, poverty reduction is making very slow progress and since the beginning of the 21st century, debate has been increasing concerning the multinational companies' ability to present a solution, in line with the action principle of pursuit of profit, that will effectively reduce poverty (Lodge, 2002a; Prahalad and Hammond, 2002a; Rangan, et al., 2007; Hammond, et al., 2007; United Nations Development Programme). The essence of these assertions is that if the abundant management resources and scale and scope of activities that multinational companies command were utilized, a new business model that completely differs from conventional methods could be anticipated.

The idea of reducing poverty through multinational companies is extremely attractive; as a solution, it sets a completely new precedent. Nonetheless, facing the severe reality that the poor sector comprises far more than half of the world's population, how useful will this idea actually be? To search for answers to this question, the debates to the present concerning poverty reduction through multinational companies will first be organized and analyzed; then, the issues that clearly emerge will be investigated.

Two pressing problems place humanity's future at risk: poverty and the environment. Particularly in developing countries, poverty and environmental destruc-

tion are closely linked, with a vicious cycle operating between them. Poverty is simultaneously a cause of environmental destruction and also the result. As a consequence of poverty, exploitative use that exceeds nature's ability to renew itself results from people's efforts to live out the day. This results in further environmental destruction, making it difficult to benefit from nature's gifts and thus further inciting poverty. In keeping, exploitative use of the natural environment is exacerbated, and environmental destruction thus continues. As this vicious cycle cannot easily be broken, the extent to which both environmental issues and poverty can be resolved in developing countries can likely be deemed the greatest problem that the world will face in the twenty-first century.

Companies have already taken the initiative on environmental issues and have advanced efforts to resolve them through market mechanisms. This has resulted in generating environmental business to the extent that now, it is said that the environment itself is business. Is it even possible for companies to similarly take the initiative and resolve the poverty problem through market mechanisms? Can poverty reduction turn into business?

This is likely the most important subject within international business research. Because those of us who live in developed countries are not readily able to genuinely feel the poverty problem, people tend to be disinterested and therefore put off efforts geared toward resolving the poverty problem. Prahalad poses the following question (Prahalad and Hammond, 2002a): Is there any more pressing problem than the

reduction of poverty, with which four billion people struggle? Multinational companies have abundant technology, capabilities and resources. Is it even remotely convincing for them not to use them for the people truly in need, but instead to increase variations of conventional products that they continue to sell to people whose lives are already overflowing with goods?

One way in which international business research can be significant is to go beyond the debates held only at academic circles over minutiae in technical research, which is almost completely out of touch with society, and to strive to resolve humanity's pressing problems.

2. A New Approach to Reducing Poverty: Will the Market Prove Effective?

In any case, if what has been done to the present is not working well, there are two ways of coping. One way is to attempt to produce results by making additional contrivances to existing methods. The other way is to think up new methods that differ entirely from the existing ones. The approach described herein is the latter. The apparent failure to reduce poverty over the past 50 years clearly indicates the necessity of the latter approach. William Easterly (former World Bank economist) has stated that the reason why all of the solutions to poverty attempted to the present have failed is that they have gone against the most fundamental principle of economics: people respond to incentives (Easterly, 2001). Who is most proficient at providing such incentives? It is none other

than the multinational companies.

When organizing the debates that have been held to the present concerning the attractive ideal of reducing poverty through multinational companies, three major groups are revealed: (1) the debates of C. K. Prahalad (professor, University of Michigan Business School) et al.; (2) the debates of George C. Lodge (professor, Harvard Business School) et al.; and (3) initiating Growing Sustainable Business (GSB) Initiative by the United Nations Development Programme (UNDP). In all cases, the objective is the same: to reduce poverty through multinational companies. Although they share many similarities, there are also differences in the assertions they make concerning the key concepts. Related deliberation is indicated below.

(1) Prahalad and Hammond: Tapping into BOP Markets

A conventional view widely shared is that the poor sector has no purchasing power and should be entirely targeted as requiring aid and that it is inconceivable for them to constitute a market that has needs. From the perspective of multinational companies, the poor sector, which comprises 4 billion people, could never be considered as customers, but merely as part of philanthropic work or social contribution.

In contrast to this general view, Prahalad named the poor sector the “bottom of the pyramid” (BOP)¹ and proposed perceiving it as a new market (Prahalad and Hammond, 2002a; Prahalad, 2002). He argues that changing the 4 billion people (approximately 65% of the world’s popula-

tion) living on under \$2,000/year or \$5/day into a giant market will open up new opportunities for growth for multinational companies. The assertion is that the development of BOP markets would be a new growth strategy for multinational companies.

The poor, who should be helped, would be transformed into consumers with purchasing power. This would reveal a huge market -- 4 billion people -- containing immense growth potential. Two birds, one stone. This attractive scenario bears the good news that the poverty problem can be solved, revealing a huge market at the same time. However, could this scenario become a reality?

Prahalad asserts that such scenario would be possible by discarding long-held beliefs and working with new principles that conform to the actual conditions of the BOP markets (Prahalad, 2002). Through extensive case analysis in BOP markets, Prahalad has raised five misperceptions and discovered 12 new principles for succeeding with the BOP.

Multinational companies have the following five misperceptions; (1) the poor have no money; (2) the poor are too concerned with fulfilling their basic needs to waste money on nonessential goods; (3) the goods sold in BOP markets are incredibly cheap and hence there is no room to turn a profit; (4) people in BOP markets cannot use advanced technologies; (5) multinational companies exploit the poor people.

He claims that by going beyond these misperceptions to develop business in keeping with the following 12 principles, business can definitely succeed in BOP mar-

kets.

The 12 principles are the following: (1) alterations in the customary price-performance relationship; (2) the hybridization of technology for deployment in harsh environments; (3) the scalability of innovations to make it accessible to a large number of people; (4) the quest for sustainable and eco-friendly solutions since developing economies cannot afford the resources necessary to process industrial waste; (5) the development of alternate forms of functionality; (6) process innovation to reduce costs and increase the scale of operations; (7) deskilling work to accommodate the uneducated and the untalented; (8) the education of customers to new economic possibilities; (9) the development of robust designs for hostile environments; (10) creative interface design to make technology accessible to the poor; (11) the innovation of new distribution systems for low-cost products; and, (12) the willingness of all the relevant economic actors to move into the new BOP paradigm.

Prahalad's proposition can be summarized as follows:

1. There is much untapped purchasing power at the bottom of the pyramid. Multinational companies can make significant profits by selling to the poor.
2. By selling to the poor, multinational companies can bring prosperity to the poor, and thus can contribute to alleviate poverty.
3. Multinational companies should play the leading role in this process of selling to the poor, with abundant technology, capabilities and

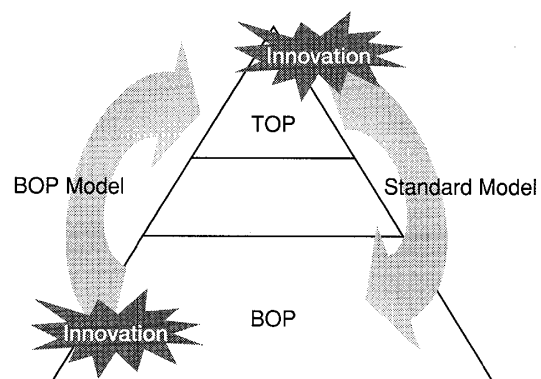
resources.

The standard texts on international business present the process by which the innovations of developed countries spread in succession, with developing countries their end point. More specifically, product cycle theory and the flying-geese model of economic development analyze the process by which direct investment in developing countries made by multinational companies of developed countries bring about economic growth in developing countries.

Are there, then, differences between these standard theories and what is being advocated here in terms of reducing poverty through multinational companies? The difference is in the approach, as Figure 1 shows. Instead of the top-down approach to the economic pyramid that multinational companies have taken to the present, they would work in reverse, working from the bottom of the pyramid up.

In other words, innovations suited to the characteristics of BOP markets would be employed to establish a new business model. In this way, the approach differs entirely from the conventional pattern of spreading developed countries' innovations to the BOP. The BOP is viewed as a

Figure 1. Standard Model and BOP Model



growth opportunity and as a source of innovation in productions, services, and business models.

In the latest survey analysis (Hammond, et al., 2007), the scale of a BOP market consisting of 4 billion people was estimated at around 5 trillion dollars (comparable to Japan's real gross domestic product). It has been called "The Next 4 Billion," with emphasis given to its promise as a market. (The breakdown, shown in Figure 2, is as follows: water service, \$20 billion; ICT, \$51 billion; healthcare, \$158 billion; transportation, \$179 billion; housing, \$332 billion; energy, \$433 billion; and food, \$2.895 trillion.)

The argument is that a market-based approach will provide innovative products and business models to the BOP, which has limited access to basic products and services, and that along with helping to improve the quality of life for these strata, it will enable companies to realize major business opportunities through access to this \$5 trillion market. This research points out the possibilities for the BOP markets, based on numerous specific cases and objective data.

Successful enterprises in the BOP markets use four broad strategies serially or in combination; (1) Focusing on the BOP with unique products, unique services, or unique technologies that are appropriate to BOP needs and that require completely reimagining the business, often through significant investment of money and management talent; (2) Localizing value creation through franchising, through agent strategies that involve building local ecosystems of vendors or suppliers, or by

treating the community as the customer, all of which usually involve substantial investment in capacity building and training; (3) Enabling access to goods or services—financially (through single-use or other packaging strategies that lower purchase barriers, prepaid or other innovative business models that achieve the same result, or financing approaches) or physically (through novel distribution strategies or deployment of low-cost technologies); (4) Unconventional partnering with governments, NGOs, or groups of multiple stakeholders to bring the necessary capabilities to the table.

(2) Lodge and Craig: Establishment of World Development Corporation

In around 70 of the developing countries that are mired in poverty, governments have neither the will nor the ability to reduce poverty. Aid from the global community to the present has not reached the sector of the poor that genuinely needs it, and an incredible amount of bribery and corruption has resulted. As a consequence, all that remains from it is immense debt. What has become clear from this disappointing reality is that it will be difficult to reduce poverty simply by leaving it to the governments of developing countries and the public sector in the form of World Bank and other international aid agencies.

Thus, multinational companies can be given the spotlight as agents in efficient and sustained reform for reducing poverty. With poverty reduction tending to drag along under not-for-profit public actors, the multinational companies that are aiming for profits are said to be able to fulfill an

extremely important role in reducing poverty -- not with philanthropic work but with genuine business. Two reasons can be given for this (Lodge and Wilson, 2006a).

First, it is a known fact that economic growth itself is the best prescription for reducing poverty. This depends on the growth of local small-and-medium-size enterprises. As successful cases in Asia already indicate, business is what drives economic growth. In particular, small-and-medium-size enterprises have come to be the center of such growth. Multinational companies serve to assist the growth of domestic business with their access to the world market, fund procurement, and provision of technology, thus pulling economic growth along.

Second, poverty results from a complex intertwining of diverse factors; thus, a systematic and comprehensive approach is necessary to reduce it. Multinational companies, with their ability to stimulate efficient and sustainable change, are best suited to this.

Although expectations have been placed on the role of multinational companies to reduce poverty in this way, investment in developing companies involves extremely high risk. Even though there is a great need for multinational companies to invest, there is a substantial gap between that need and the size of the risk. How to make sustained business development possible by minimizing the risk and making the investment in developing countries profitable will be the greatest issue.

For this issue, Lodge proposes the World Development Corporation (WDC).

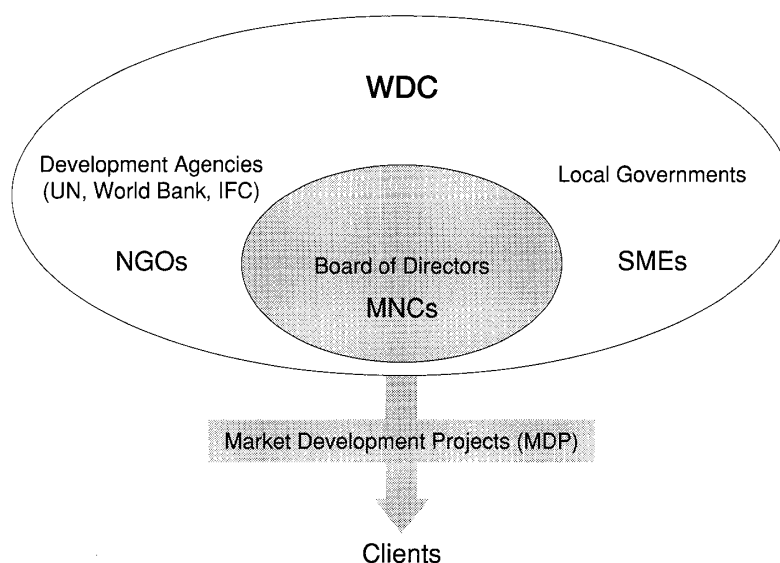
Established under the United Nations, this organization takes a stake with about 12 multinational companies that have long-term experience in developing countries as its partners. It is operated with officials invited from the governments of OECD member countries, International Finance Corporation (IFC), World Bank, and NGOs.

WDC almost entirely targets countries and areas that have been left behind by globalization and to which hardly any investment has been made or else none at all. Possibilities for projects and project design are investigated following discussions with local governments, the industrial world, and community leaders. These projects must make profits as commercial business, be sustainable, and bring profits to the participating companies as a result.

Rather than meeting societal needs in developing countries through philanthropic work, action must be taken as part of corporate strategy. This is an approach that uses business methods to reduce poverty, with multinational companies working in cooperation with international agencies, local governments, local small and medium-sized enterprises and NGOs as Figure 2 shows; it is an attempt to utilize the technology, capabilities and resources that multinational companies possess.

Already a few cases exist in which a multinational company has fulfilled a government's role when the government of a developing country is not functioning well. Nestle shoulders regional development work in India and Brazil, and Shell provides educational programs in Nigeria. Other cases of activities that can be mentioned are Unilever's in India, Coca-

Figure 2. Proposed Operating Structure of WDC



Cola's in Venezuela, Intel's in Costa Rica, and Land O'Lakes' in Albania. In these cases, not only have the local people been provided with work and increased income but education has been improved and people motivated. In this way, society is changed, and the road is cleared for people to break free of poverty.

Doing this under WDC enables multinational companies to minimize risk and make sustainable business development possible. In addition, although multinational companies have been criticized one way or another by NGOs in the past, gaining legitimacy will make it possible to avoid such criticism.

However, Professor Lodge claims that it is difficult to actualize WDC structure, for several -- primarily ideological -- reasons². Some of the reasons that can be pointed out include the fact that resistance to multinational companies has deep roots, that many people believe poverty reduction to be the work of government, that NGOs abhor involving multinational companies in

poverty reduction, and that economists specializing in development issues almost never focus on the entire problem and are uninterested in the realities of reducing poverty. Thus, a start in Asia, which has few of these ideological restrictions, is advocated.

The first steps to actualizing this structure have already been taken, with Fedex dispatching employees and establishing an actual plan and with the wide-scale recruitment of other companies' participation begun³.

(3) United Nations Development Programme (UNDP): Initiating GSB

189 member countries, including 147 heads of state, participated in the United Nations Millennium Summit held in 2000. Together they adopted the United Nations Millennium Declaration as the goals for the global community in the twenty-first century. One Millennium Development Goal (MDG) that was raised was to halve world poverty by 2015. To achieve this goal,

Growing Sustainable Business (GSB) was initiated through the UNDP.

The purpose of this project is to stimulate business-initiated solutions that are simultaneously commercially feasible and useful for reducing poverty (UNDP). It is based on the idea that bringing the commercial profits that businesses can obtain by acting in developing countries based on market principles into accord with development benefits in developing countries will create the greatest advantages for both business and developing countries.

GSB aims to contribute to risk mitigation by providing support for companies to do business in developing countries, where the business climate is harsh. The GSB mechanism is not simply social contribution or philanthropic activity. Its services are for businesses attempting to cultivate commercially feasible business projects in their core business fields in order to increase profitability and facilitate entry into new markets. GSB's purpose is thus to support companies so that they can adopt the method of simultaneously engaging in regular business activities and supporting developing countries.

GSB was initiated in 2002 through the UNDP and has been implemented in 16 countries at present: Albania, Bosnia-Herzegovina, Cambodia, El Salvador, Ethiopia, Indonesia, Kenya, Macedonia, Madagascar, Malawi, Moldova, Montenegro, Serbia, Tanzania, Turkey, and Zambia.

Numerous investments are being made in these countries, with investment scale ranging from \$0.2 million to \$2.3 million. With these investments, neutral stances are

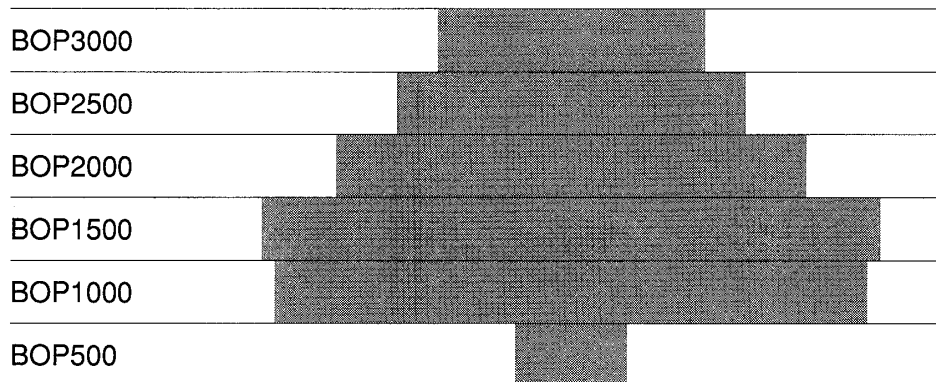
provided in developing countries utilizing the UNDP's own capability; information is shared there, issues are raised, and appropriate local partners are gathered.

Four fields can be mentioned as particularly promising for business development in developing countries through the GSB programme: 1) biofuels and renewable energy, 2) agricultural products and distribution systems, 3) microfinance and insurance, and 4) projects to rectify the digital gap and improve the quality of life. Specific examples already underway include Ericsson's provision of communications infrastructure in rural Tanzania, Unilever's establishment of supply and sales networks for Allanblackia nut oil in Tanzania, and electrification for rural Madagascar through the G7 Energy Fund.

3. Requirements and Sufficient Conditions for Reducing Poverty through Multinational Companies

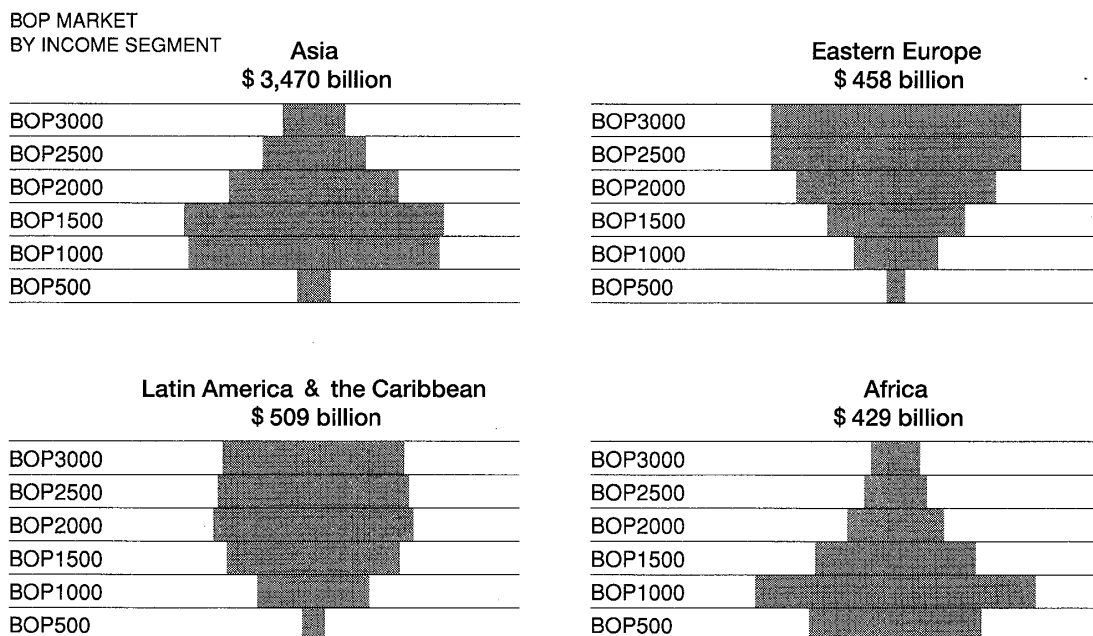
Although the name BOP has been given collectively to the world's poor, the political, social, and economic environments they exist in are highly diverse, in reality. For this reason, it is difficult to group them all into the BOP and think that a giant market consisting of 4 billion people exists. Even if it is called "The Next 4 Billion Market," major differences in population makeup are apparent when viewed in terms of income bracket, as shown in Figure 3. There are also wide varieties in different regions as Figure 4 shows. BOP or the Next 4 Billion Market is likely to be smaller than expected. Karnani asserted that the fortune and glory at the bottom of

Figure 3. BOP market income brackets



(Source) Hammond, et al., (2007), p13

Figure 4. BOP Regional Profiles



(Source) Hammond, et al., (2007), p28

the pyramid is a mirage (Karnani, 2007, p39) Logical analysis rooted in data is required to make multinational companies help alleviate poverty, rather than unsupported assertions and hyperbole.

Although nothing like an all-purpose approach to reducing poverty exists, one new approach steeped in possibilities has definitely begun to make its appearance

amid the numerous repeated failures to the present.

It has become clear that it is possible for multinational companies to contribute to poverty reduction as a result of developing genuine business in a straightforward way in keeping with a profit-seeking principle of action, rather than approaching it as part of their philanthropic work or social

contribution. This perspective is completely innovative and unlike anything that has come before.

However, for this innovative approach of reducing poverty through multinational companies to succeed realistically, certain requirements and sufficient conditions must be fulfilled. If any of them are not, then this attractive approach will end up as “pie in the sky.”

Rather than perceiving developing countries as the end point for innovations, multinational companies can perceive the BOP as the starting point for innovations. In line with Prahalad's 12 principles, which were mentioned previously, employing innovations that involves the poor sector will come to be a requirement.

In reality, this is not easy to do. Three major issues that will be confronted should be pointed out (Rangan, Quelch, Herrero and Barton, 2007).

First, there will be major cultural differences between the managers of multinational companies and the people at the BOP. With the huge differences in their ways of life and ways of thinking, the world of the BOP will be inconceivable to the managers of multinational companies who will be creating the new businesses.

Second, there is the grave lack of infrastructure. Roads, harbors, railroads, communication networks and other physical types of infrastructure are indispensable to efficient logistics. Frequently, legal insufficiencies must also be confronted, since even when laws exist in formality, they might not be functioning in reality.

Third, sales scale will be the key to engaging in sustained, profit-making busi-

ness in the low-income BOP market. It will be necessary to sell mass quantities of low-added-value products, rather than high-added-value ones. In other words, small profits and quick returns will be fundamental to the BOP market business model. However, because the market is segmented, the path to achieving the necessary scale will be a rocky one.

To surmount difficulties like the aforementioned ones will require considerable resolve and effort. With pressing need for major review of the conventional managerial approaches, managers will be inclined to vacillate about the extent to which the high-risk, unknown BOP market is valuable. It is natural for them to believe that the conventional way of management is sufficient and that there is no need for them to intentionally take on the risk of advancing.

In this connection, Prahalad's former question can be recalled: how significant is it and is it even remotely persuasive for multinational companies not to use their abundant technology, capabilities and resources for the people in developing countries who genuinely need it, but to put their efforts into the matured markets of developed countries?

With the substantial differences between rich and poor, as at present, if the situation continues in which over half of the people of the world continue to suffer from poverty, dark scenarios like the following will become more likely in the near future: Chaotic economic conditions will continue in developing countries. Governments will collapse and war and civil war will be experienced. Terrorism will con-

tinue to be a threat throughout the world, and immense public and private funds will be spent on safety. Resistance to the global market will intensify. Many multinational companies will curtail investment in the attempt to avoid risk and will retreat from emerging markets. In this way, the world will become more unstable and the global economy will stall, creating a negative cycle.

Those who hold the key to changing this self-destructive scenario into a bright scenario in which the world is able to flourish are the multinational companies. Prahalad asserts that they, in other words, are the ones that will or will not invest in and enter the BOP market.

However, as this will involve high risk, it will be difficult for the multinational companies to deal with the situation single-handedly. Cooperation and coordination with the governments of developing countries, international agencies, and NGOs will be indispensable. For this reason, frameworks and platforms for the cooperation of each actor will be needed. This is a sufficient condition, and Lodge's proposed WDC concept would attempt to satisfy it. In addition, the UNDP's GSB Initiative has been embarked on as one form of its concretization.

4. Conclusion and Future Research

Reducing poverty through multinational companies is a truly inspiring idea. Although several practical examples of the embodiment of this idea can be mentioned (Jain and Vachani, 2006), when looking at the entire picture of the eradication of

poverty, these practical examples are akin, at present, to tiny islands situated in a vast sea.

The road to satisfying the requirements (having multinational companies innovate at the BOP) and sufficient conditions (platforms for risk sharing and minimization) like those that have been investigated to the present will not be an even one.

The first step is to have all stakeholders share the big picture. More specifically, the new attempt to reduce poverty by having multinational companies and the people at the BOP take leading roles will involve sharing an unshakeable conviction that it will yield significant results for all who participate. Specifically, as Prahalad points out, this will start with changes in the attitudes and actions of top management, breaking through conventionally held biases about the BOP (Prahalad and Hammond, 2002a; Hammond et al., 2007). Very few multinational companies are attempting to develop top management with thorough knowledge of the BOP market.

To the present, no Japanese companies are participating in GSB, and pilot projects are in the startup stage. What Japan has done so far has been to hold several workshops through the UNDP.

In addition, International Financial Corporation, which, like UNDP, is an international agency began a project called "Lighting the Bottom of the Pyramid Initiative" (renamed and currently known as "Lighting Africa") and is attempting to promote a company-based approach to poverty reduction. Japan has been limited

to holding seminars targeting companies and has not reached the point of mobilizing the project itself yet⁴.

Spreading the attractive idea of reducing poverty through multinational companies to Japanese companies and having them share it will be the first step. At present, Japan has only, but finally, reached the starting point.

What follows are the five major specific issues.

Issue 1: To what extent can top management's actions and attitudes toward the BOP be changed?

Issue 2: The main target for BOP business will be the \$2-\$5/day income bracket of the poor. Would it even be possible to target the segment living in the absolute poverty of under \$2/day?

Issue 3: Because nearly all multinational companies are American, would developing companies with resistance to America be receptive?

Issue 4: With the UNDP's GSB programme, would NGOs voice stronger concerns about the UN's standing being tainted by multinational companies?

Issue 5: In around 70 developing countries in which bribery and corruption are rampant and the poor are overlooked, would leaders welcome new programs from multinational companies?

To what extent can these issues be conquered and progress made toward reducing poverty? This attempt has just

gotten underway, and in future, the buildup of many practical cases will be required. Although there will be difficulties, there is great value in the challenge.

Using expressions similar to those of Prahalad's previous question, the following can be asked in international business research, as well: Is there any more pressing issue in international business research than that of reducing poverty through multinational companies? Without considering the extent to which the vast power of multinational companies can be put to use in developing countries, how significant is it, even, to debate about corporate management in the mature markets of developed countries that are materially overflowing?

It has frequently been the case that issues that are dealt with negatively or in which there is no interest at first become core management issues later on. For example, CSR, which had merely been considered as part of philanthropic work, is now a core corporate management issue. CSR-related indicators have come to be added to global corporate rankings.

Although environmental issues, as well, were also handled as if they were nuisances dragging down business, people are now aware that the challenge of confronting environmental problems itself leads to new growth. Similar to these examples, it is no fantasy that the 4-billion-person, 5-trillion-dollar BOP market, which had not been given the notice it deserves up until now, is now coming into the spotlight as the next real market.

The development of such methods and models is genuinely appealing, and when

the history of past failures in development assistance is reflected upon, it is certain that the market-based approach will emerge as a powerful option that remains.

It is frequently the case that new, innovative ideas and approaches are viewed strictly and skeptically. This attempt, which has just begun, is highly significant as both a response to pragmatic demands and as a research topic that is extremely challenging and fully appealing to international business research.

Notes

- ¹ “base” would later come to be used in place of “bottom,” with Hammond et al (2007) calling the BOP the “base of the economic pyramid.”
- ² Content is a direct response that Prof. George Lodge made to the author (Sugawara) in an e-mail dated Oct. 12, 2007 concerning a question that the author had e-mailed to him.
- ³ A WDC pamphlet and business plan actually made by Fedex were procured by means of an e-mail dated Oct. 26, 2007 from Wyatt Franks, the person in charge of WDC for Fedex.
- ⁴ Content is a direct response that Hiroshi Arichi (Director of Tokyo Office, International Finance Corporation) made to the author (Sugawara) in an e-mail dated Nov. 6, 2007 concerning a question that the author had e-mailed.

References

- Brugmann, J. and C. K. Prahalad (2007), ‘New Social Compact’, *Harvard Business Review*, February. pp80-90.
- Collier, P (2007), *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford University Press.
- Easterly, William (2001), *The Elusive Quest for Growth: Economists’ Adventures and Misadventures in the Tropics*, MIT Press.
- Emmons, Garry (2007), ‘The Business of Global Poverty’, Harvard Business School Working Knowledge. Accessed November 19, 2007 <http://hbswk.hbs.edu/item/5656.html>
- Goldberg, R., and K. Herman (2007), ‘Alleviating Poverty and Malnutrition’, HBS No. 9-907-409, Harvard Business School Publishing.
- Hammond, A. L. and C. K. Prahalad (2004), ‘Selling to the poor’, *Foreign Policy*, May/June, pp30-37.
- Hammond, A. L., William J. Kramer, Robert S. Katz, Julia T. Tran, and Courtland Walker (2007), *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*, World Resource Institute & International Finance Corporation.
- Hart, S. L (2005), *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World’s Most Difficult Problems*, Wharton School Publishing; 2005
- Hart, S. L and Al Gore (2007), *Capitalism at the Crossroads: Aligning Business, Earth, and Humanity* (2nd Edition), Wharton School Publishing.
- Jain, Subhash C. and Sushil Vachani (2006), *Multinational Corporations And Global Poverty Reduction*, Edward Elgar Publishing.
- Karnani, A. (2006), Fortune at the Bottom of the Pyramid: A Mirage, *Ross School of Business Paper No. 1035*, Accessed November 19, 2007 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=914518
- Landrum, N. E. (2007), ‘Advancing The “Base of the Pyramid” Debate’, *Strategic Management Review*, 1 (1).
- Lodge, George C. (2002a), ‘The Corporate Key: Using Big Business to Fight Global Poverty’, *Foreign Affairs*, Vol. 81, Issue 4, pp13-18
- Lodge, George C. (2002b), ‘Using Big Business to Fight Poverty’, Harvard Business School Working Knowledge. Accessed November 19, 2007 <http://hbswk.hbs.edu/item/3050.html>
- Lodge, George C. (2006), ‘Global Poverty Needs a Global Answer’, Harvard Business School Working Knowledge. Accessed November 19, 2007 <http://hbswk.hbs.edu/item/5251.html>
- Lodge, George C. and Craig Wilson (2006a), *A Corporate Solution to Global Poverty: How Multinationals Can Help the Poor and Invig-*

- orate *Their Own Legitimacy*, Princeton University Press.
- Lodge, George C. and Craig Wilson (2006b), 'Multinational Corporations: A Key to Global Poverty Reduction?' YaleGlobal Online. Accessed November 19, 2007 <http://yaleglobal.yale.edu/display.article?id=6657>
- Lodge, George C. and Craig Wilson (2007), 'What a U. N. Partnership with Big Business Could Accomplish', Harvard Business School Working Knowledge. Accessed November 19, 2007, <http://hbswk.hbs.edu/item/5632.html>
- London, T. and S. Hart (2004), 'Reinventing strategies for emerging market: beyond the transnational model', *Journal of International Business Studies*, 35: 350-370
- Prahalad, C. K. and Allen Hammond (2002a), 'Serving the World's Poor, Profitably', *Harvard Business Review*, Vol. 80, No. 9. pp48-57
- Prahalad, C. K. and Allen Hammond (2002b), *What Works: Serving The Poor, Profitably*, World Resources Institute. Accessed November 19, 2007 http://www.wri.org/pubs/pubs_description.cfm?pid=3754
- Prahalad, C. K. (2002), *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Wharton School Publishing.
- Piscitello, Lucia and Grazia D. Santangelo (Eds) (2007), *Do Multinationals Feed Local Development and Growth ?*, Elsevier Science Ltd.
- Rangan, V. K., J. A. Quelch, G. Herrero and B. Barton (2007), *Business Solutions for the Global Poor: Creating Social And Economic Value*, John Wiley & Sons.
- Sachs, J. D (2005), *The End of Poverty: Economic Possibilities for Our Time*, Penguin.
- Silverthorne, Sean(2007), 'Business and the Global Poor', Harvard Business School Working Knowledge. Accessed November 19, 2007 <http://hbswk.hbs.edu/item/5529.html>
- Smith, Craig N (2003), 'Corporate Social Responsibility: Whether or How?' *California Management Review*, Vol. 45, No. 4.
- Stuart L. H (2005), *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*, Wharton School Publishing.
- United Nations Development Programme, *Growing Sustainable Business for Poverty Reduction*. Accessed November 19, 2007 <http://www.undp.org/partners/business/gsb/>
- Vietor, Richard H. K. (2007), *How Countries Compete: Strategy, Structure, and Government in the Global Economy*, Harvard Business School Press.
- Wilson, Craig and Peter Wilson (2006), *Make Poverty Business: Increase Profits and Reduce Risks by Engaging With the Poor*, Greenleaf Publishing.
- World Bank (2005), *World Development Indicators 2005*, World Bank.