

CONFERENCE NOTES AND PROCEEDINGS

Leveraging Innovative and Cross-Country
Learning for Poverty Reduction: Climbing the
Economic Ladder – Examples from and for
Nicaragua

PRME Anti-poverty Working Group

International Conference

28-30 July 2014

Managua, Nicaragua

Introduction

These conference notes and proceedings are intended to present the academic sessions and the day-long immersion experience that were part of the *Leveraging Innovative and Cross-Country Learning for Poverty Reduction: Climbing the Economic Ladder – Examples from and for Nicaragua* held in Managua, Nicaragua, 28-30 July 2014. The first section of this document consists of Conference Notes, which summarize the discussion and dialog that occurred across all three days of the conference. This section also summarizes the discussions and problem solving during the visits to COOPA and Centrolac. The second section, Conference Proceedings, consists of papers and extended abstracts, presented during the academic sessions on Day One.

To all participants: We hope you had an enriching conference experience.

Sincerely,

The Conference Organizing Committee

Al Rosenbloom, Dominican University

Ana María Majano, INCAE Business School, Nicaragua/Costa Rica

Christine Farias, Baruch College, USA

Gerard Farias, Fairleigh Dickenson University, USA

Hsu O'Keefe, Pace University & Fairleigh Dickinson University, USA

Milenko Gudić, CEEMAN, Slovenia

Theresa Heithaus, PRME Secretariat, USA



Conference Attendees along with members of the COOPA Milk Co-operative and representatives of Centrolac during the field visit.

Conference Notes

Edited by Professor William M.
O'Keefe (wokeefe@pace.edu) with
contributions of designated
conference recorders and
participants
Susanne Kertelge
Rachelle De la Cruz and
Daniel Rodriguez

MONDAY, JULY 28, 2014

Panel Discussion I: Nicaragua; context, cases, collaborations – Moderated by John Ickis, INCAE, Nicaragua

Panelist 1. María Rosa Renzi, Coordinator of the Human Development Office in Nicaragua, United Nations Development Programme (UNDP)

- The UNDP has a long history in Nicaragua conducting projects with special focus on human development and poverty alleviation.
- During the last few years Nicaragua has been one of the most dynamic countries in Latin American and the Caribbean in terms of economic development. In 2013 the Nicaraguan growth rate was 4%, while earlier it had been just 1.5%.
- Since 2001 Nicaragua has managed to reduce extreme poverty, defined as a person living on less than \$4 per day, from 79% to 54% of the population. However, the population living in a state of vulnerability (\$4-\$10) has increased substantially. Thus currently around 90% of all Nicaraguans are living in extreme poverty or are vulnerable to becoming extremely poor. The middle class in Nicaragua has grown much less than in other Latin American countries.
- The UNDP is promoting adoption of the Multidimensional Poverty Index (MPI), already being used in other countries such as Mexico, as a new 10-indicator index to better measure poverty and the results of poverty reduction efforts. This is being adopted in response to the increasing awareness that monetary measures alone are inadequate. This is because markets are not perfect and not everything can be assigned a price, such as the domestic work performed by women or the dominant informal segment of the economy. In addition, changes in income do not have the same effect on fully capable people as it does on less capable members of society. There is a strong need to understand that *poverty is not lived in the same way in every place*. Thus it is essential to include other dimensions such as access to food, quality of life, availability of health care services, etc.
- There has been a significant reduction in inequality, but unlike other countries such as Honduras, Guatemala and Costa Rica , it is more due to redistributive policies rather than economic growth. At the root of inequality are the unequal relationships of power in Nicaragua. The nation has the demographic advantage of having a young population. Thus

policies are needed to overcome structural barriers. Poverty reduction in Nicaragua will necessitate consolidation of the middle class, transformation of informal economy into the formal one. The question remains on how to break the *vicious circle* and what are the roles that different actors, including private sector, should assume in the adoption of different multidimensional approaches.

Panelist 2. Matthias Dietrich, Executive Director, Nicaraguan CSR Union (UniRSE), local Global Compact and World Business Council for Sustainable Development (WBCSD) Chapter

- Nicaragua is seeking integrated and sustainable solutions for growth. The nation faces the challenge of a growing population, which calls for higher economic growth as well. In 1976 the population was 2.6 million. Today it has grown to 6 million. In order to resolve poverty we need structural changes but also the development of entrepreneurial capacities. In this respect we need new concepts - we need to get out of old schemes and think out of the box. The business sector needs to play a role but cannot be the country's "fire fighter". However, we need to look at how we can define the different roles of the different players in the game. The private sector is not the only contributor and should not try to act alone. We need to seek solutions together with the government and invest in more advanced education by building alliances with a range of potential contributing partners.
- The private sector can and does contribute to education in Nicaragua. There are the traditional initiatives carried out by companies supporting schools and education programs - but new concepts are needed to also improve the quality and content of education. An example is La Fundación Unión Nicaragüense para la Responsabilidad Social Empresarial (UniRSE) which is participating in an alliance with social organizations and the ministry of education to improve the quality of current education. Companies need to look for solutions that are comprehensive and sustainable in general, and not just look at Social Responsibility initiatives designed to benefit a particular business sector.
- There is a need to think for the longer term, since at the moment there are no concepts for long-term development plans regarding education, such as those developed in Costa Rica. Nicaragua needs long-term education programs which do not change with every new government. Many years ago the Nicaraguan Chamber of Commerce established a program to improve capacity called INDA. However, progress has been limited due to the tendency for each new government to change the education policy. More progress can be made if the practice of long term thinking is adopted.

- Chiles de Nicaragua is a 23 year old producer and exporter of hot chilies used to make Tabasco Sauce. CSR principles drive decision making and no child labor is allowed. It has been a member of UniRSE since 2011. The initial seed capital came from international organizations to help Contras & Compas (Sandinista soldiers) start a business after the war in order to afford them a chance for a normal life. During the financial crises of 2008 private banks cut off funding during the harvest season. The micro-finance companies have become more demanding and are requiring more collateral. It has a production contract with McIlhenny Company in Louisiana, USA, the maker of Tabasco Sauce, and operates under a pre-established purchasing price agreement which it also extends to the participating local hot pepper producers. The organization provides imported seeds to up to 211 farmers who have contracted to be growers and have agreed to deliver their crops to Chiles. Due to the effects of climate change, the number of participating farmers has declined slightly. The company's technical service team instructs the farmers how to achieve the best yields. This requires face-to-face support sessions since many farmers are illiterate. This requirement increases production costs, making chilies an expensive crop. All participating farmers have installed a drip irrigation system to ensure good harvests. The production contract and agreement to pay after 15 days of delivery assures that they have conditional access to needed credit. The organization also has partnerships with commercial houses such as producers of fertilizers and technology companies.
- Chiles de Nicaragua has had a positive impact on poverty reduction by creating jobs and providing needed technology, technical support, stable pricing and access to credit. While some farmers only plant for one season, others continue to plant season after season. There is the case of Don Pedro who worked for us for 15 years and his son is now working for Chiles. The entire family has benefitted. The home has benefitted from improvements; the wife can now use a modern stove and send the children to primary school. Harvesting hot peppers is labor intensive. It requires 8-9 months to harvest, plant and re-plant the crop. During the harvest season, up to 20-25 people are needed. So the crop has a positive impact on the community. Fortunately chili planting and harvesting does not coincide with the coffee harvesting and planting season.

Panelist 3. Lucía Hurtado, Co-Owner, Chiles de Nicaragua

Panel Discussion I (Cont'd): Questions & Answers

Question from the Moderator:

Q1: How to take learnings to schools and higher education institutions - what are recommendations for business schools to integrate poverty into the curriculum? As alumni of this institution, how can we incorporate them?

- **Panelist 3:** I understand they're doing it already. When I was studying here at INCAE, the social issues were less studied in class than today. Working with USAID we have learned that as an anchor company we can have a big impact to strengthen the value chain. We also work with INCAE on a climate change adaptation project which includes our suppliers. We look for humid temperature areas suitable for producing chili and for protective agricultural practices.
- **Panelist 2:** It is important to multiply good practices, particularly through academic and business cooperation. There are a lot of opportunities for alliances between private sector and academia. In Nicaragua companies are taking responsibility for development of the country. For example, a mining company which knew the mine would run out of material one day started supporting development of businesses that would continue to provide goods and services long after the mine closed. Those initiatives requiring minimum investment which have the best results should be multiplied. There is also potential for revolving funding. There is willingness on the part of the private sector to collaborate and of academia as well.
- **Panelist 1:** In Nicaragua we are at the beginning of a change where business is becoming more responsible for sustainable development. After seven years the responsibilities of a gold mining company that works in a poor region ends and as it leaves the region - alternative is to invest in creating business (SMEs) to ensure that when the company leaves that the region will continue to develop; a dairy processing company entered a partnership for the collection of milk with the dairy farmers to train farmers and improve milk quality; the hardware stores where women from the mines work now – are examples that show the sustainable development.

Questions from the audience:

Participant Question 1: What is the expected impact of the Nicaragua canal on the development and the different sectors?

Panelist 2: We see that projects like this are needed for Nicaragua, but it is an illusion that the projects solve the country's problems. The country needs to be prepared in terms of education. We do not have to wait for the canal to solve our problems, but it might help a bit.

Panelist 1: There is little information about the canal to build a position on it. While the environmental concerns are great, it is too soon to tell. However, such a big project will need a lot of prior investment in HR so that Nicaragua can take advantage of the project. But we need to go beyond human capital, we also need to make people understand what the project will do and what it will not do (i.e. face the doubts and fears). There are many positive and negative outcomes that we still don't know. We need to do more research and find more information as to how it will be executed.

Participant Question 2: Many international organizations are keen on reducing public expenditures rather than increasing them. What is the impact of the role of international organization in Nicaragua - is it positive or negative?

Panelist 1: It all depends on the organization. Official development assistance had a positive impact since its contributions complement public policies and coffers. However, for the most part they did not make a significant contribution to transforming the national context since there has not been a concerted effort over time to focus on reducing poverty. It all depends on the time and the level of involvement, with government policies being the key factor. There has been a significant positive change in the last few years because organizations are now taking a more proactive approach to take action aimed at reducing poverty. They are also more focused giving advice regarding more effective poverty reduction policies and better assessment of goal achievement. Some believe that the impact has been positive, while others believe the impact has been negative.

Panel Discussion II: Lessons from the rest of the world

Panelist 1. Madhukar Shukla – XLRI, India (via videoconference)

- Dr. Madhukar Shukla is Professor of Organization Behavior and Social Entrepreneurship and the Director of the Fr. Aruppe Centre for Ecology and Sustainability. He has a deep understanding of the growing social entrepreneurship movement and organized the first ever conference on Social Entrepreneurship in India. This conference that brings together thought leaders, entrepreneurs and a variety of other stakeholders together has now become an annual event.
- India is a country of disparities, a country that is rich and poor at the same time. It is one of the fastest growing economies, per capita income growing at 11.7%. Poverty is not solely about income but it is multidimensional; in India it is often about access to basic resources.

- There are different poverty alleviation initiatives, many of which focus on socially marginalized groups. For example Self-Help Groups (SHGs) - small groups of very poor people mostly women, group-saving and inter-group lending since they will not get access to credit from a bank due to the high transaction costs, rural as well as urban, bank-linkage to the group. This constitutes an “invisible revolution”.
- MYRADA (1986) - Credit Management Groups (CMGs) as starting point; groups grew exponentially as well as the average loan size per group - ability to pay back allowed them to get bigger loans, nowadays almost 8 million groups - 870 women join an SHG every hour! SHGs become the backbone of many initiatives in India. They enable the creation of social support systems.
- National Rural Livelihoods Mission (NRLM) - move people out of poverty. Poverty alleviation is achieved by forming, strengthening and facilitating "institutions of the poor". Critical field experiments: (1) Asset transfer - target the ultra-poor who are landless or owning a very small piece of land. Such interventions have an immense effect on diversification of livelihood activities, fiscal discipline and positive change in habits; (2) Another example is the “Unconditional basic income transfer” which has been piloted in 20 villages: fixed universal monthly and training in financial management (everyone could join), spending on sanitation, nutrition and healthcare. Impact = 22 fold increase in assets, 100% two cooked meals/day (compared to baseline of 54%).
- Learning from India: The poor want to move out of poverty; we need to organize them to realize the potential, bottom-up process and empowerment; we need to create the systems around them and provide them with access to resources and information. Poverty alleviation is a bottom-up process starting with empowering the grassroots. The key feature of empowerment is the formation of “collectives” or “social institutions of the poor”.

Panelist 2. Linda Sama – St. John’s University (SJU), USA

- Linda is Director and Founder of Global Loan Opportunities for Budding Entrepreneurs” – GLOBE which she established in partnership with the “Daughters of Charity”. GLOBE provides students first hand opportunities to learn about the micro-finance industry. When she joined SJU, part of her mandate was to bring International Business into the core. Due to her personal interest in social issues, she decided to include an emphasis on poverty alleviation.

- The Daughters of Charity is a religious organization with operations across the world whose mission is poverty alleviation. It plays the critical role of identifying good GLOBE candidates in poor communities in Kenya, Nigeria, Congo, Nicaragua and Vietnam. The success of the program hinges on the Daughters of Charity because they know the climate and candidates for the loans. They are able to help work with families, such as one in Kenya who wanted to explore a baking venture and are reluctant to take on a lot of debt because they do not understand the potential benefits.
- While the typical repayment rate for microfinance programs is 97-98%, this program has an 80%-85% rate. This is because GLOBE is about social business and not profit making. Also, there is no aggressive strategy to get payment back. Disappointments are there.
- Critical lessons learned: The initiative has a high dependence on their people on the ground (identify borrowers and distribute money); people are sometimes reluctant to take out a loan (fear of debt spiral); when somebody does not pay back the loan no measures are taken; however, they try to do everything before writing off the loans - there are examples of both success and failure, the loan itself does not solve the problem (e.g. woman who fell back into alcoholism).
- Participation offers students the opportunity to help change the world one loan at a time. Students with a passion for doing good work are selected for the program. Most are business students, although students from other disciplines are also accepted. To join GLOBE, students contribute \$140 to a loan fund for small businesses in developing areas. They are responsible for doing all steps of the process, including vetting applications, organizing fund-raising and promoting GLOBE on social media sites.
- The social impact in the target communities has been at the micro scale. Most of the borrowers are women who feel a sense of empowerment. Community members are increasingly involved in household and community decisions, increase adaptation of improved technologies and contribute to community development initiatives. However, the impact on poverty reduction has proved difficult to measure in quantitative terms.
- GLOBE uses also a group lending model as an experiment. For example, a self-help group in Kenya (raised half on the loan themselves and got the other half from GLOBE). However, such group loans are rare. A group of women in Vietnam raised money this way to form a tailor shop. One Nicaraguan woman says that her whole family has been positively impacted: her husband is working, her mother is watching children and now she is able to run her business. The improved technology she has adopted has also helped.

- The program has helped educate responsible leaders at the university. It was difficult at first to get the program off the ground at the university, but once it had some successes, the university started supporting it. Note that Muhammad Yunus came to the campus of the university in the first year of the GLOBE initiative. Dr. Sama earned the Academy Entrepreneurship Award in 2012.

Panelist 3. Paulo Motta – PUC-Rio Brazil

- Paulo is professor of marketing with a focus on marketing to the poor. He describes entrepreneurs in Rio slums and their success stories. He has a different approach to Base of the Pyramid (BoP). His research is based on a micro perspective of the urban poor, given that poverty is always within walking distance. There is “no need to go to India” to study poverty. 80 percent of products made by the poor are produced in urban settings, primarily in very poor slums. PUC-Rio is a Catholic school where many of the students come from high income levels. Others need to be given small loans, especially those coming from extreme poverty. Some students come from different backgrounds and have different lifestyles. This causes some divide among the students. Marketing works with exchange, and whenever a person makes an exchange they are connecting with society.
- Paulo concentrates on the urban poor. As Mother Teresa stated - proximity, the poor are everywhere. Both students and employees live in terrible areas. They don't take a romantic approach to poverty. The rich want to send the poor to another planet. It's easy to help the poor in Africa, but they do not want to help the poor in their own countries because they compete with real estate. Study the area and help the poor find solutions.
- Examples of entrepreneurial initiatives he has studied include the following. Moto-taxis are an organized business for transport up and down narrow streets. Trash collection is another problem which is attracting entrepreneurs with creative money making solutions. 80% of the small entrepreneurs purchase large quantities of a product in demand at a market outside the slum. They then re-sell merchandise at a much higher price. 10 years ago, entrepreneurs established micro-insurance for dental plans, which has largely benefitted the 30% of the poor that had never been to a dentist. Health insurance can now be very affordable for the poor at \$10/month. Not all want to be rich. Some people only want to sell up to a limit and then stop (e.g. - 70 bags of popcorn a day and no more than that). Slum dwellers lack money for snack food. \$0.40 is what most people have in their pocket and they usually spend it to buy 2 cigarettes. One girl came up with a business model to sell 15 chicken nuggets in a plastic cup for one real (\$0.40) at 16 percent margin. After 1.5 years she is now making 4 million dollars a year. A lot of people have copied this model. They now wear a business

uniform, offer credit card payment and look clean (cover hair). They can make 800-900 dollars a day.

- Not everyone is going to be as successful as those cited in his examples. However, these success stories are real and do happen.

DISCUSSION of PANEL II: Lessons from the rest of the world

Questions from the Moderator:

Q1: Many people in the barrios who want to get out of poverty become very creative. Is there any way to detect or identify entrepreneurs who have that capability?

Panelist 3: I have my students do assignments. If you want to make a difference, talk to the people and come back with ideas. They come back with lots of ideas. Urban poverty is so complicated. A student died in school because he had no money to eat. Get \$150 and buy food in a supermarket for a family of 4. If you want to understand the poor, eat a meal on Friday at noon and don't eat anything until Monday afternoon. The assignments are where students can encounter poverty for themselves.

Comment from the audience

Participant Comment 1: What is the relation to the communities who live in extreme poverty in my country? I work at a University, which is located in the Distrito San Juan de Lurigancho, one of the most populated countries in Lima, Peru, with the highest poverty rate. What is more relevant is the attitude of students who come from these poor areas. We ask students to look for examples in every situation of their life. The university and municipality are providing the environment for change. Our students are children of parents with small business. They want to be the owners of their own business, too. They are seeking to generate their own income. The university is in one the poorest sectors, which is why probably, we make all efforts to help students out of it. All our work here is to develop basic education and entrepreneurial skills among youth.

Questions from the audience:

Participant Question 1: Is the work that you're doing, started largely on personal commitment or was that something that the institution encouraged you to do? In light of that question, if you leave, will this program leave with you? How has your institution supported you or challenged you?

Panelist 2: Programs have a very miniscule impact. In India, we have the construction of several major institutions. Given the complexity and size of India, how do we support as a partner (research, building)? This is not a person-dependent institute. We work with 8/9 NGOs. This will continue.

Panelist 3: We have a center that we work with. The course was an elective, but is now part of the curriculum. Some students come back and say that with the mention of the course, they were immediately hired for the job.

Participant Question 2: Why did you start these initiatives? When you leave, will the program continue? Did/do you have support from your school?

Panelist 1: Yes. This program is institutionalized. Seven major education institutes in India work together to help eradicate poverty, making a direct impact is possible on local poverty, role of the university to provide the knowledge and training to people; the projects are institutionalized and do not depend on single people - work together with NGOs in the area

Panelist 2: GLOBE started because of personal commitment. The University had to overcome quite a few obstacles. Now that it's successful, the university is very much on board. But the important question is SUSTAINABILITY. We have a steering committee, which is trying to foresee succession of the program. Another way is through program alumni who remain in touch (60%) and replicability. We have met with representatives of other institutions who we've met with and want to replicate the program.

Panelist 3: Five other faculty members are involved now. Marketing to the poor is now part of the education program. Students are proud of taking the course. Participation in this program of poverty field studies is helping graduating students find jobs.

Plenary Discussion – Milenko Gudić, CEEMAN, Slovenia

Milenko Gudić

- What is poverty? Poverty is about people. It also about the specific economic, historic, cultural and political context. We need to understand the needs and dimensions of poverty (both quantitative and qualitative), and the different ways to measure it.
- What can we do? We saw a range of initiatives, both large-scale and small-scale, most of which include education. We need integrated and sustainable solutions. We need policy measures, economic measures combined with social transformation, educational

components are needed and there needs to be actions within the sector of education as well, multiplying and replicating models and best practices are key.

- What is the role of different actors including educators, government, NGOs, small groups, local communities, international organizations and business? Management educators need to cover the poverty topic within and across business school curricula, especially entrepreneurship. Educators need to focus more on developing dialogue and partnerships with the range of actors involved to try new experiments and look for innovative solutions. Many success stories have already been shared, including through different personal and/or institutional initiatives. We can learn also from failures.

Comments from the audience

Participant Comment 1: We need to change the concept that competition is the basis for change and economic growth. This paradigm needs to shift from one of competition to one of collaboration. In order to improve we have to compete with ourselves by examining what we did in the past and then forcing ourselves to face more difficult challenges.

Participant Comment 2: We must invest in the idea that globalization is about thinking globally but acting locally. Standardization for global scalability and replicability is not necessarily an effective approach. Positive examples illustrate that successful people build solutions, scalability and replicability based on local strengths.

Participant Comment 3: The concept of entrepreneurship is tied to profit and shareholders economic success. However, it is now clear that the concept of entrepreneurship should be understood as taking the risk to change and better combine resources, not only economic but also social, to find new solutions. In my school, I decided to change the name from business school to school of management to reflect this thinking.

Participant Comment 4: I run an NGO here with 800 feeding stations. My experience has shown that business leaders are inspired to serve impoverished communities. Rather than lacking the desire to serve, most business leaders lack the knowhow needed to teach the poor the steps they need to take to improve their lot. One of the most important things I've learned is that there needs to be a cultural understanding of how to bring people from where they are in their lives to improved standards of living. Many times we find that the equipment is there, but it's not being used. The real challenge is learning how to teach people to understand how to be better farmers. Many projects fail because the leaders do not invest sufficient effort in helping people develop the skills they need to do things better.

Participant 5: The member universities of PRME need to do more to address root problems, such as corruption and exclusion. There is also the question of who are the customers of business schools. Since they are frequently partly funded by the public, are the students the customers? Or is it society?

Participant Comment 6: We need to learn how we can raise the awareness of people who can improve our situation. We are a very small organization which is trying to market our milk without access to roads, without means of organization and without adequate financial resources. We have 101 dairy farmer members and began by forming a collection facility. At that time we could store 2,000 litres of milk. Today we can store about 42,000 litres of milk and wish to raise this to 60,000 litres of milk. It was very difficult to gain access to credit. How are we to raise awareness among government, media, etc.? We have created alliances and partnerships but it is still difficult. How can we attract the attention of those who have the ability to change these micro-economic policies? If such investments are not made in rural areas, how can we reduce poverty? We want to try to come out of poverty in order to benefit our families/workers directly.

Participant Comment 7: The challenge of business schools and companies is deciding how to more effectively deal with poverty. Being concerned with poverty is separated from the business of companies in peoples mind. The challenge is to make poverty closer to the core of business and incorporate the issues in all areas of management education and not dedicated classes on poverty. Poverty is treated as an optional topic rather than a central component of business school education.

Participant Comment 8: We need to address the context to understand the needs - and the needs will vary across countries. Basic context like geography and culture need to be encountered.

Participant Comment 9: In companies we need to change our understanding on how to integrate the community into the operations, as well as to integrate other actors into the inclusive development. This will provide room also for small initiatives, pilot projects, personal development as well as for the collaboration with governmental institutions.

Participant Comment 10: What is it that stops the replication of best practices in other cases in the same countries? Business schools and academia can play the role as the common thread to multiplication/replication of these best practices. Having more dialogue is vital since debates motivate for reflection and change.

Participant Comment 11: It is a matter of competition - it can be destructive but it can also seek innovation and create capacity for improvement. We need managers who think about growth and not downsizing (care-taking of the company). Economic growth needs to be combined with intelligent policies and distributions of the benefits across the population. The talent to recognize talent is rare in organizations which are positive to change, while it is very well developed in organizations that are negative to change since these talents are a threat.

Questions for business schools. Do we walk the talk? Are we collaborative or competitive? Do we build on local strength? Do we deal with standardization or do we tend to favor one model over another? Entrepreneurship... are we entrepreneurial?

Participant Comment 1: Accreditation is used as an excuse for not doing the right thing. It's the tail wagging the dog. Business schools and PRME need to be setting the mandate for AACSB. More business schools aren't working together on this issue because we're all competing for the students. We are practicing the same thing we're accusing businesses of doing. We need to work together in a more meaningful way. We must learn to be more cooperative. We need to think more about the role of business in society, as well as that of business schools. Who are the customers of business schools? They are the students that attend and the companies that employ them.

Participant Comment 2: The challenge for business schools and companies is how to deal with poverty issues. All are concerned about poverty and environmental issues, but think that the efforts to deal with poverty are separate from the main business concerns. A company in Nicaragua has to think of poverty as their everyday business. A big challenge is how to bring poverty issues closer to the core of business activities and business education.

Participant Comment 3: How can we build poverty issues in school and businesses themselves? In the case of Chile, we have built CSR into the business in a cross-cutting manner, involving producers, manufacturers, farmers, etc. They filter the issues through their prisms and we eventually reach a decision. We make investments in light of their CSR impact. In one case applying the CSR concept led to a full \$1000 savings per container. No one was asking for that money, and it was going to train our employees. We were quite amazed with the results. Investing in CSR is always profitable. Ultimately, the company should have not only a profit, but social impact on people. The impact of all decisions are carefully considered. Investing in CSR will always be profitable. Make the right decisions based on your values regardless the size of the operation

Participant Comment 4: Business schools overestimate their importance as a Corporate Social Responsibility resources in the eyes of business. In 2008, we started a study of the Communications of Progress posted by South American business members of the UNGC to assess the extent to which the businesses identified business schools as their primary partner in CSR initiatives. Our preliminary results indicated that businesses rarely partnered with business schools. Their primary CSR partners were industry associations and non-degree education and training entities. Our recommendation was that business schools should consider partnering with such entities as a means of reaching businesses rather than trying to partner directly with individual businesses on CSR initiatives.

Academic Session I: Micro Level Issues: Learning from Grassroots Initiatives

Farias, G. Innovations in Poverty Alleviation: The Stories of Three Indian Entrepreneurs. Presenter 1: Gerard Farias

- India has a complex environment in terms of size, culture, religion and politics. Definition of poverty used in India is 0.53 dollars/day in rural areas and 0.78 dollar/day in urban area. 29 percent of the population is below the poverty line. Desired poverty alleviation factors include achieving adequate levels of health & hygiene, access to water, proper nutrition, access to education, access to affordable energy, adequate finance. There are a lot of good poverty alleviation initiatives on-going which originally started as grass route initiatives where individuals took the initiative to identify opportunities to make a change in their society and help the poor and marginalized become more self-sustainable and empowered.
- One of these is “Make a Difference” (MAD) which focuses on empowerment of children living in orphanages and street shelters. The kids wanted books to read. Volunteers teach kids outside the school system. They bought and distributed books, and then asked the children to do book reports on the books they gave them to ensure the books were actually used. These kids stop studying at the age of 15 years since they do not see a future anymore. The focus was on justice, not pity. Students from all over the country applied to join the “MAD” movement. 70-80% of volunteers are rejected because they appear to want to join out of pity, and not justice. This operates on a franchise model where in new branches are given money to start-up. This funding diminishes every year until a branch reaches the point where it can give back to MAD to help start other branches.

- A second example is "Mirakle Couriers" which is a courier service for the deaf. They are trained to act as paid couriers who use public transportation to deliver packages. A third example is "Grassroutes" which is a tourism service for visits to poor rural villages. The company prepares the villages for tourism by developing minimal infrastructure and training the villagers to provide great service. They then book and schedule visits to selected villages and the villagers organize, run and receive the income from these tours. The villagers are empowered to improve their situation and earn an increased income.

Kahn, S. and Farias, C. Women Empowerment, Poverty and Microfinance –The Pakistani Experience. Presenter 2: Christine Farias.

- 22.3 percent of the population of Pakistan lives below the poverty line, which is defined by level of caloric intake. The population is growing at 2 percent/year. Women are poorly represented in the labor force in Pakistan. Female empowerment is complex because of cultural, religious and educational issues. KASHF Foundation set up in 1996 to demonstrate that economic empowerment of women can be a key factor to move Pakistan beyond its current social and economic standing. The goal of this micro-finance initiative is to break barriers women face in the workforce. This is a public - private partnership which employs a demand-driven approach to minimize the chance that participants end up in a debt spiral.
- This program is managed by the Pakistan Poverty Alleviation Fund, an independent unit set up by government. KASHF provides innovative micro-finance programs and products to create additional value for the borrowers and improve their organization as well. Initiatives include Women Entrepreneurs Council, Financial Literacy education, KASHF School of Finance and the training in the Use of Media.
- Key lessons learned include conclusions that large banks should be involved and projects should be less dependent on subsidized funds. Micro-finance projects should be targeted to create jobs meet the needs of the poor, result in the creation of products and services that foster self-sufficiency and which are priced to be sustainable after termination of support funding. In order for micro-finance initiatives to be effective, there needs to be high levels of enabling macro-economic activities, with the government playing the role of catalyst.

Pisani, M. Home-Based Convenience Stores at the Base of the Pyramid: A Case Study of Nicaraguan Pulpería Entrepreneurs. Presenter 3: Michael Pisani.

- This is a study of self-employed micro entrepreneurs who run mostly informal and necessity-driven (i.e. no other employment option) business concerns at the base of the pyramid

(BOP). The study examined a sample of these little in-home stores in Nicaragua (500) and El Salvador (450). Pulperias sell basic food supplies, junk food, a little of everything. Starting in 1996, the study was conducted without the benefit of a national business data base for reference purposes in Nicaragua. However, the 2012 data set indicates that there are at least 100,000 pulperias in Nicaragua employing about 200,000 people.

- 85.1% of pulperias are operated by women and 67.2% are located in urban areas. The average age of the owners is 46.3 years. 60% of pulperia employees have no or only primary education. Gender, location, record keeping and opening times matter: Women earn 45 cents less per hour than men. The average monthly income for females is \$85.17 and for males \$156.23. Record keeping, a gender independent skill, increases earnings by 24 cents per hour on the average, and more in Managua. Record keeping also offsets some of the earning penalties of location. Due to shopping habits of the poor, extending the work day significantly beyond a certain point does not increase income.
- Pulperias are a way of improving lives of people without or only with primary education so the next generation can go to school. Intergenerational mobility is a good measure of “success” for such activities. It is interesting to note that Pulperos wishing to change occupation earned \$0.26 less per hour

Questions from the audience

Question 1: How would you envision incorporating these initiatives in the business management curriculum?

M. Pisani: We have control over our own classes. I make sure the base of the pyramid is discussed, along with international business. Since I’m interested in this part of the world, they have to learn it. I use Prahalad’s book as well as several articles. It starts with the teacher. It’s done one teacher at a time.

It’s so important to have other models out there. The College of business where I teach has one faculty, and I’m it.

Question 2: What do students think of you teaching about poverty?

M. Pisani: The reaction is bewilderment. The students are there because they’re required and when we show them this, they take it. There’s no push back.

Question 3: What is behind the data that you have presented which is not permitting women to excel, even though they have a better education? This is something that we must unravel. We

can give resources to women, but they can't do everything regarding social reproduction. We need this reflection in the university, but do not forget the gender perspective.

M. Pisani: From one sector, women earned more than men because they were more educated. Some people that sell popcorn seem to lack ambition, is that the same for those in pulperias. Some are necessity driven and some are ambition driven. It's a continuum and it exists.

Question 4 : How do you distinguish between a formal and informal business/pulperia?

M. Pisani: In my previous research I found what distinguished a formal vs. informal pulperia is the closer it is located to government halls, and the bigger it is, the more it tends to be formal. An advantage to being formal is greater access to resources. But there's not too much of an advantage unless the resources are highly visible.

Question 5: Why is there a difference in income between women and men?

M. Pisani: Cultural issue even though women have been in leadership roles longer. Women's work is primarily seen in the home and since they're there anyways, they may as well open up business. It's important of course to ask WHY! The answer is that the size of the pulperia that women have tends to be smaller since they must also take care of their families. However the men, as primary bread winners for the family, can and do expand their business. Inventory size is definitely correlated with gender.

Question 6: There are employees and owners. Is there any discrimination between earnings?

M. Pisani: The employees are mostly unpaid family members

I was asking about what kind of problems and what kind of solutions. At the university graduate level, we're always trying to perfect skills through case studies which are hypothetical. We need to develop solidarity between students and the poor. We need to develop so that they can be managers of their own change. Poverty happens everywhere and we're always acting to help them. How long do we need to be doing this? If a social group comes out with some innovative ideas or entrepreneurship ideas, new ones will emerge and old ones will expire. Will a university come out with interdisciplinary schools and other universities to position themselves in cultural values?

This relates to human center design and design thinking. You can teach people an approach which forces cross-disciplinary studies. Do we really care? Do our students care? We need to re-moralize our universities!

Verdi, M. and Farias, C. Education, Youth Empowerment and Entrepreneurship – Microfinance Innovations: The Case for Peru. Presenter 4: Christine Farias.

The Blue Sparrow initiative, founded in 2007, is a poverty alleviation initiative focused on rural Peru where 48% of the population is living in poverty and suffering from problems of illiteracy and poor nutrition. The program focuses on giving hope to young people to study and create a future for themselves. Blue Sparrow looks beyond just the education challenge by also improving family wellness and living conditions.

Project 1: Conectados consists of computer labs to enable students to learn the usage of technologies. Most labs are now self-sustaining. Their location in rural areas alleviates the need to spend time and money travelling back and forth to school.

Project 2: The family requires sufficient income to afford to send the child to school. The family is empowered with a micro-loan so the kids can go to school.

Project 3: Hectare Max is a program designed to support agriculture development by applying a range of measures needed to increase land use productivity as a means of increasing income and productivity.

Project 4: Wellness is a health improvement program focused on increasing quality of water and reducing air pollution to ensure welfare.

DISCUSSION

Question from the audience 1: How would you envision these grassroots initiatives in management education?

M. Pisani.: Case studies and assignment in own classes (undergraduate); it is our responsibility to spread the word

G. Farias: Use case studies from different parts of the world; bring more case studies like the presented ones into classrooms but also make students travel.

C. Farias: Creating outdoor classrooms - we cannot teach business and economics from books in a classroom but in the field. Field Study Programme to Costa Rica to facilitate learning by doing. Make students understand that we are part of the problem and then think further about how we can become part of the solution.

Comment from audience 1: Gender approach is important (women cannot do everything), but we should not forget the gender perspective to be able to eliminate the barriers

G. Farias: About 90% of social entrepreneurship efforts in India are directed towards women since it is a general perception that the money is better utilized by women

M. Pisani: We need to acknowledge that there is continuum of people who are self-sustaining and that others try to grow

Comment from the audience 2: Borrowers do not necessarily have an entrepreneurial spirit but it is about feeding the family and sending kids to school

Question from the audience 2: What are the advantages and disadvantages from moving from the informal to the formal sector?

M. Pisani: When closer to local government entity more likely to be formal and bigger. Advantage: access financing, but most don't know that they are informal and what that means.

Question from the audience 3: Why do women earn less than men in the pulperias?

M. Pisani: Much more traditional environment, women have less standing in society (less value)

Comment from the audience 3: Women generally do not grow business as fast as men since they have to take care of their family and they usually reinvest in their family.

Question from the audience 4: How do you envision adding such poverty topics to school curriculum?

M. Pisani: Must expose students to the Bottom of the Pyramid (BOP) concept. This is most likely done "One teacher at a time".

G. Farias: Pick a case study covering issues from a diverse range of perspectives. Encourage students to travel.

C. Farias: Introduce poverty topic by conducting field study programs. Business students are typically bewildered by BOP material.

Academic Session II: Multiple Perspectives; Learning from various institutions

Yepes, G. Programa Plan Padrinos® (ES). Presenter: Gustavo Yepes Lopez

- Plan Padrinos (Colombia) is a university-based program designed to teach students how to work with small for-profit companies to improve the management skills of businessmen and

help them achieve big changes in internal productivity in key areas a business. Students analyze companies, develop and implement improvement plans and track results. They acquire practical knowledge which they can apply in the service of development. The program goes beyond interaction between students and faculty, but also with companies, business people and alumni. Plan Pardinós not only delivers hands-on experience to students, but it also offers interesting research issues for academia and training opportunities for faculty. This program has proved to be very popular with small business leaders. The overall rating is 4.3 on a 5 point scale.

Majano, A. and Murillo-Rojas, J. Effectiveness in Programs to Fight Poverty: The Experience of Central America. Presenter: Ana María Majano.

- This is a five year study of poverty alleviation programs established in 2007 and funded by the POMA Foundation. A conceptual framework was developed to explore the success measures employed, document key measures of program effectiveness and identify lessons learned. Twelve case studies were prepared to document a range of poverty alleviation initiatives. All will be published later this year. The Libras de Amor program in El Salvador took a holistic view of the problem by integrating the stakeholders and clearly identifying the needs of the target population.
- Of the 12 cases studied, none was able to objectively measure whether the project actually helped eradicate poverty due to the failure to define objective and measurable output measures at the start of the initiative and then apply them during and at the end of the program. The key learning is that program leaders must introduce measures of success at the start of the program in order to be able to assess whether the project actually had the intended impact. For example, a poverty alleviation initiative focused on improving nutrition can demonstrate whether or not nutrition was improved. However, they are not able to demonstrate whether or not this resulted in a reduction in the level of poverty.
- Other lessons learned include the following:
 - Being full of good intentions is not enough - initiatives must have integral, holistic designs which address the multidimensional nature of poverty and then define measurable output goals. Due to the complexity of the poverty alleviation challenge, opportunities for improvement can best be attained by inter-institutional cooperation.
 - Must remain flexible during implementation and adapt to the changing situation. Just because it is a social project does not mean that management skills are not needed to

execute the project - they are essential. We need capacity to plan and execute, collaborate and apply best practice learnings.

- A transparent process for identifying intended beneficiaries is critical. Implementing organizations must have the empowerment needs and background of target population very clear in their minds based on a thorough diagnosis and clear definition of the baseline.

Naughton, M. and de la Cruz, R.: Poverty, Prosperity and the Purpose of Business Mission Driven Business Education at Catholic Universities. Presenter: Michael Naughton and Rachelle de la Cruz.

- Cultural inequality is increasing - both material and spiritual poverty need to be addressed. We behave as if we are more concerned about what we have than what we become. Thus we need to ask ourselves: how can we change the way business is actually taught? All businesses need to have good goods, good work, good wealth. There is a need for a multi-layered view of poverty to include material destitution & exclusion as well as moral and spiritual alienation. Education is about trying to see things in relationship to each other. A multi-dimensional approach to prosperity is needed instead of a focus on just shareholder value maximization

Jäger, U, Cardoza, G and Umaña, L. Integrating Base of the Pyramid Experiences into Business School Courses: Learning from Mintzberg how to Include Poverty Issues. Presenter: Urs Jäger.

- We need to explore ways regarding how to include the BoP topic in the curriculum. But first we need to define what poverty means. The specific nature of poverty varies around the world. Learning at the BoP is experience-based. The management instructor has different roles when teaching about the BoP: Analyst, Leader, Lecturer, Moderator. Learning can no longer be viewed as a skill that must be learned. Rather, it should be seen as a skill that everyone has from birth. We need a theoretical framework to base our learning on, we need a way to systematically gain experience and then have ways to systematically reflect on the experiences. Application of the Learning Paradigm concept is a useful way to explore both knowledge-based and experience-based learning. Faculty need to help students to find the most effective ways to obtain insights in the local context.

DISCUSSION

Comment from the audience 1: The question is when and how to introduce BoP into business education, not whether to introduce it.

Comment from the audience 2: In order to educate a child you need a whole town. We need to tell the story beyond the classroom because students hear and see something else out in the world.

Question from the audience 1: Subjective perception of whether you feel better after you got help counts, not the objective measurement of poverty and its improvements

A.M. Majano: we cannot tell about the effects not because there are none but because we frequently fail to define measurements when designing the project. We neglect to clearly define what we mean by the poverty dimension which we want to reduce in that specific case. We should improve the design, execution and evaluation of projects to be able to see whether the objective is reached or not.

Practitioner perspectives: Learning and Networking with Practitioners

Susan Kinne: Grupo Fenix, National Engineering University of Nicaragua

- Grupo Fenix is a group of organizations dedicated to research and development of renewable energy solutions, especially for the rural poor. It was started by a group of students from the National Engineering University. In one of their projects they launched a solar cooker distribution program. It was initially designed to pay women, some of whom were landmine victims, to sell solar cookers. But the women decided that, rather than just sell cookers made by others, they preferred to work together with university faculty and students to design, build and then sell the cookers that they had made. Starting this solar cookers initiative in the community led to a lot of new initiatives the results of which were not necessarily measurable in terms of poverty alleviation or increased profitability. For example, in response to an initiative suggested by a community member, the women decided to use the solar cookers to improve the quality of second grade coffee beans, thus creating an improved product for consumption and sale. The community also established the first restaurant ever that relies solely on solar cookers to prepare the food. Communities such as this have become places where university students and faculty go to learn rather than teach. “Edutourism” is the model that Grupo Fenix employs to sustain itself and grow. To date more than 80 courses in solar technologies with homestays and cultural and technological exchanges have been delivered.

Ambreen Waheed: Responsible Business Association, Pakistan

- This responsible business initiative focused on demonstrating how business CSR initiatives can move beyond giving money as charity by finding ways to improve the life of people linked to the business taking responsibility to lift people out of poverty, give them respect and social improvement. Enhancing the self-respect of the poor is key to making them want to assume responsibility for improving their lives and break the cycle of dependence on charity. CSR initiatives need to look at the root causes as to why people get involved in certain businesses and how their family is involved. Factors such as whether children go to school, and if not why not, also need to be considered. In such cases the goal is to build a fostering environment so kids can go to school instead of working, even to the point of opening schools if necessary. Thus it is important not to only give money, but to also help them build a business and create opportunities for the families to have a sustainable initiative
- The example presented was that of a program to assist paper scavengers in Pakistan improve their business model by providing training with limited resources. The scavengers of paper in Pakistan learn how to sort paper to change the process of recycling by not collecting paper from the dumpsters. They learned how to pursue more environment-friendly objectives so as to avoid making the paper unrecyclable. They were instructed how to move up upstream, before the dumpsters, into the initial disposal process to start a trash sorting initiative so people could collect the paper from door to door. This change helped improve the quality of the material collected. It also resulted in greater income for the scavengers because they now had more and better quality paper to sell.

Lizeth Zuniga: Asociación Renovables, Nicaragua

- This association is formed by 42 organizations which promote the development and use of renewable energy in Nicaragua. Their purpose is to significantly reduce reliance on petroleum, which at present is the source of 78% of the energy consumed in Nicaragua, by funding the adoption of renewable sources. Companies are encouraged to take a more active role in promoting electrification of their off the power-grid communities which are not serviced by the government electrification efforts. Companies are encouraged to subsidize the adoption of small scale distributed renewable energy sources such as generators, and in some cases supporting the development of renewable local grid-based sources such as smaller scale hydroelectric power. This electrification initiative is intended to improve the quality of life and help eliminate non-productive uses of time which at present are required to cope with the consequences of the lack of electricity. Access to affordable electricity will allow women to spend less time cooking and free up time to attend training sessions. Ready access to electricity will also free up men from certain labor intensive tasks so they too can attend training programs.

- The faculty and students of the academic community can play key roles helping newly energized communities adapt to this transformation by providing the education, and training support needed. A key issue is helping community members learn how to monetize their energy use so they know how much various activities cost and are better prepared to make energy-use trade-off. Local training is provided to improve community technical skills required by specific projects such as alignment and operations. Community awareness events are organized to celebrate this enhancement to community life and better inform the public about public policy/law 532 and renewable generation and energy distribution basics. Education and support efforts are also offered to help new users understand the potential benefits of ease of energy access, identify local employment opportunities and ways energy access can contribute to their wellbeing.

TUESDAY, JULY 29, 2014

Visits to Centrolac and COOPA

CENTROLAC

- Centrolac is committed to being an environmentally and economically sustainable dairy enterprise which supports healthy, prosperous communities. They have built a plant to process waste water, and while the typical dairy production process requires 12 liters of water to produce one liter of milk, this company requires just 0.9 liters of water to produce one liter of milk. Development of a non-pasteurized milk product has eliminated the need to refrigerate its milk storage tanks. It has developed a range of flavored milk products which it packages in small, affordable containers. Centrolac has achieved high standards of quality assurance and production efficiency in its ultra-modern production facility.
- The company started selling milk eight years ago and it has become an important player in the market, especially in urban areas. However, in rural areas the brand is represented but not dominant because, due to distribution constraints, Centrolac can only deliver its products twice a week. Pulperias, the small in-home shops scattered throughout the rural areas, are the main source of milk and other dairy products for local residents. Competitors have well-developed distribution networks and can deliver products daily. However, Centrolac uses the non-alcoholic distribution network of the beer company Cerveceria Nicaragua which only delivers twice per week. They also have to face the fact that because of security reasons the pulperias are not open for people to enter, instead, they are served from a window. For this reason, unless a customer specifically orders Centrolac milk, it is likely that they will be given a competitor product by the pulperia attendant. However, Centrolac has launched successful marketing campaigns by printing on their packages images of popular movie productions.
- Centrolac is noted for its Ultra-Pasteurized Milk, which it sources from farmer-owned cooperatives. It has also introduced Matilda, a milk-like product made from vegetable fat, which is targeted to low income families. Since packaging is a crucial factor, Centrolac has successfully partnered with the packaging company Tetra Pak to develop and field-test a new flexible aseptic packaging container for milk which requires neither refrigeration nor preservatives and has a six month shelf-life. At present the company only offers milk in different types and flavors, soy drinks and juices. However, Centrolac plans to expand their offers in the near future to other milk-based products such as cheese.

- In May 2012 it established the Centrolac Cattle Hub Center to provide dairy farmers with products and services, including credit on milk sales to allow financing of better feed and improved stock. At present the yield per cow is about 3 liters per day, as compared to 64 liters per day in the USA. Milk quality tends to be low in part due to the lack of basic sanitary practices. The Cattle Hub provides technical support, including improved equipment, at no cost to producers to help improve milk production and farm profitability. Many farms are small and unprofitable. The goal is to demonstrate that by utilizing appropriate technology, learning better ways of milking cows and by feeding them properly, milk yields can be significantly increased. The company is committed to allocating more resources to improving the productivity of the milk producers. Such initiatives are to include more education for the entire family.
- Thus Centrolac has established collaborative relationships with the producers over which it has limited direct control. It is challenged to differentiate the types of quality milk products it offers when there are few incentives for producers to increase quality. Cows are almost exclusively field grazed, and normally suffer from a lack of feed during the dry season, unless the producer has conserved feed for this period. Thus the company experiences a shortage of milk during the five month dry season due to lower productivity and an excess of milk during the rainy season.

WORKING LUNCH WITH COOPA MEMBERS

- COOPA is a milk collection and cooling center established in 1994 which now works in alliance with the Centrolac Cattle Hub. The dairy farmers own this milk collection center, rather than the processors, and many of them raise cattle for meat as well as milk. There is a large variation in the number of cattle and the amount of land owned by members, which leads to differences in perceived needs, goals and priorities. Major challenges this dairy cooperative faces include the following:
 - lack of access to adequate financing
 - lack of sufficient technical support staff (only 1 or 2 are providing support at present),
 - very costly energy sources (lack required funds to finance needed technical studies of solar energy)
 - inadequate cooling facilities (especially during the highly productive Spring period)
 - the lack of an adequate collection infrastructure.

- Another major challenge members face is the financial instability brought on by the large variation in milk prices. In the dry season when product availability is low farmers receive a premium price. In the wet season when they have an excess of product available they receive a lower price, forcing some of them to sell excess milk at low prices to other buyers. Producers need to be recommended by an existing member to be considered and then must pay a one-time member entry fee of between \$2,000-\$3,000 to join the cooperative if accepted. Membership affords them access to a range of benefits outlined above in the description of the Centrolac Cattle Hub.
- The COOPA representatives participating in this field visit formed breakout working sessions to focus on the following topics:
 - 1st. Finance (13 votes)
 - 2nd. Energy (7 votes)
 - 3rd. Marketing & sales (6)
 - 4th. Quality (5 votes)
 - 5th Infrastructure (5 votes)

[Note that the Centrolac representative expressed his concern about the fact that technical service, which was identified as a critical concern by Centrolac management, was not identified as a key priority by COOPA members, but it was stated by some people that it was probably because they are already receiving that support as part of their alliance with Centrolac]

A Partial List of Working Group Results:

WORKING GROUP - INFRASTRUCTURE

- Rather than try to resolve the deficiencies in the area infrastructure, the group decided to accept the existing transportation constraints and utilize available local (INCAE) resources to focus on the more manageable challenge of finding ways to improve the transport of milk from the dairy farm to the collection station. The team members proposed the following series of development projects.
 1. Select an INCAE faculty member to meet with a COOPA working group to outline a plan of work. One of the needed tangible outputs would be a written description of a logistics-focused student internship, to include intern selection criteria. Note this this faculty member would agree to supervise and guide the intern(s) selected.

2. The task of the intern(s) would be to develop a detailed logistics wall map of the location, potential vs actual milk supply volume and transport problems of each of the 211 suppliers. The results of this process would lead to the preparation of a detailed set of priorities and plan of action.
3. A second larger team of interns would be formed to expand and roll out the implementation plan which would include agreed-to performance measures and measurable goals. Examples of potential sub-projects would include:
 - Benchmarking with other logistic groups, such as UPS or food distributors such as Walmart or Whole Foods, to get ideas of how to overcome the constraints quickly with a minimum of resources
 - Identification of alternative and affordable milk collection and transport vehicles
 - Feasibility analyses of establishing small permanent or mobile collection sub-stations. Etc.
4. A second parallel project activity, which would require a second team of interns with a different set of skills, would be to develop and deploy a community action committee to persuade the local government to better maintain the roads. A core project would be to do a cost-benefit analysis to determine the total cost of postponing road repairs, including avoidable construction expenses and potential economic benefits lost due to inaction.

WORKING GROUP - MARKETING

- Problem: During the summer months, the produced quantity of milk doubles. However Centrolac continues to buy the same quantity every month and cannot/will not buy the extra amount being produced. Therefore there is an excess supply of milk for which there is no demand. The farmers do not know what to do to get good value for this excess milk.
- At the moment, the farmers sell the milk for a very low price in the villages. This is because there is no way for them to produce less milk.
- Favored idea: Start working together with local or regional organizations, such as universities, to identify ways they can market the extra milk at the normal market price and/or develop new dairy products from the excess milk.
 - For example, they can sell the extra milk during the summer period to the universities for the same price they receive during the normal season

- The advantage of this option is that there would not be any direct competition with Centrolac, and therefore no conflict of interest
- The other idea is to partner with Centrolac to develop new products such as cheese, brand them together with Centrolac as a Fair Trade product and market the products internationally at a premium price as Fair Trade quality products of a rural cooperative and a local dairy manufacturer which improve lives and protect the environment.

WORKING GROUP - FINANCE

The group asked cooperative members to provide clarification on the main issues and problems regarding finance. Access to finance was mentioned among the most important barriers since neither the cooperative as a business entity nor its members are considered eligible for obtaining bank loans and credits. And if they were, the issue of ensuring collateral would be a serious obstacle. In addition, preparing a request for loans, credits and other sources of external finance requires skills and expertise, which cooperative members and administrators are lacking, while the respective consultancy costs are high and unaffordable.

Asked about the priorities for which external finance is needed the cooperative members emphasized (a) machinery, (b) auditorium (\$ 30,000-50,000), and (c) a processing plant for the production of cheese for export to the US market (\$500,000 to \$ 1-2 million).

The working group also asked about how the above-mentioned problems and needs are being discussed with CENTROLAC and other stakeholders. The answers received indicated that there was no strategic dialogue between the partners and stakeholders.

The following recommendations were made:

Financial strength could be improved through a higher milk production volume, which could be achieved by: (a) having more cows per corporate member, (b) higher productivity – milk yield per cow, and (c) expanding the cooperative membership base. These alternatives do not exclude each other, on the contrary, they are mutually reinforcing.

There is a need to establish a strategic dialogue between CENTROLAC and COOPA. The dialogue should also include the milk processing and cheese production facilities, which both parties are interested in, seemingly independently from each other.

The dialogue should also help COOPA to make CENTROLAC understand that the auditorium project is above all targeted for improving the technical support and advisory services to cooperative members (which is a highly ranked CENTROLAC's priority) rather than the construction of a new building-facility.

The parties should also work together in developing and proposing legislative changes that would make the cooperative as an entity, as well as individual farmers and/or group of farmers eligible for bank loans and credits.

The cooperative should also reconsider its membership fee policy and rules and try to find solutions to financially weak farmers to join as new members.

The working group also developed a list of concrete international organizations and/or associations that could provide either external sources of finance or technical support.

The group also suggested cooperative as a partner for various study trips, experiential, service and action learning projects to be included into the educational programs of INCAE and other business schools.

WEDNESDAY, JULY 30, 2014

Perspectives and Possibilities: Learning from Nicaragua – Round Table Discussion Facilitated by Gerard Farias

TAKE-AWAY LEARNINGS (Comments from the audience)

- The political context can determine how companies and organizations make decisions or have to make decisions. We need to understand poverty in the context and the situation and aspirations of the people living in poverty.
- Community power - important to understand the context, it is necessary to work with the community leaders to have an impact on governance (grassroots understanding, understanding of the context and the community)
- There are different power structures we need to understand (politics, religion, culture, caste)
- There are programmes in which locals volunteer because they have the feeling they have the ability to change something in their country; programmes where high school students teach students without or little education to get a degree.
- Connection is crucial: (1) Connection between global and local - global trend of what keeps people in poverty and transfer to local level; (2) Connection between theory and practice - there is no good theory that is not coming from practical experience; (3) connection in terms of information - what you need to know and where to get it from. Governments need to go from power usage to service provision; there are many win-win-solutions than we know.
- We need to establish an appropriate communication to create alliances, become partners and build trust. Poverty alleviation is not about the government giving. Nor is it about waiting for the government to give. It is about taking action, even when government takes the credit.
- It is about opening windows and doors; need for macro-economic policies e.g. infrastructure; understand where poverty comes from to be able to fight it
- Three perspectives on poverty: research pay, romanticizing what poverty means. Other (the poor are another species); we need to do a micro-analysis of the poor because they are all

different - do we deal with the poor or are they something else? Poverty is often a subjective feeling (even rich people in Brazil perceive themselves as poor)

- Partnership is important, but there are different perspectives on what partnerships mean from the different partners - need for clarification since different needs may imply also different solutions. What business schools could do about all this?
- We need to help people understand what they don't know and the details of the situation so that they can help themselves. They suffer from a lack of information and a lack of process understanding which is essential for effective problem solving. This is an area for interaction between learning partners and business schools.
- We did not meet with the poorest of the COOPA members, the 30-40% of the farmers, because they lack the means to get to the meeting. There are big differences between the members of the cooperative and their level of poverty. COOPA has programmes to help those ones who are really in need. Some producers have university education and therefore the ability to manage their farm in a more effective and efficient way. However, this is not true for the vast majority of the members.
- Investments in education are needed, especially for children, to build a basis. The low level of education is the key problem of poverty. People do not know how to best spend the money they earn. In the coffee sectors, when people received more money than usual they went out and bought cars rather than making investments in their farm

THE WAY FORWARD (Comments from the audience)

- Some companies now try to work together and create strategic alliances, starting the dialog with the people, taking people into account and consulting with them on policies. This is an example of using an entrepreneurial perspective for policy development by involving council members, representatives at the department level and representatives of the mayor in the municipality.
- Start at the grass-root level and go up to the top. But when needed also top-down (education).
- Outcomes of advocacy work of NGOs has had an impact at the municipality level. We managed to change 40 laws, some of which are already approved but some processes will take very long.

- There is a window of opportunity for export since free trade and export is a rule (but government approval is needed).
- NGOs and private business work together in communities. This is progress from only working separately with the communities. Change comes from the base and the work with the youth.

Dialogue on Poverty and Corruption: Role and Relevance of the Anti-corruption Toolkit: Milenko Gudić

- The anti-corruption tool kit is recognized as a valuable resource that can be used to educate students and executives on the nature and consequences of corruption. The starting point in this initiative is to help learners articulate the fact that corruption starts with an individual such as themselves.

Platforms and Opportunities for Research and Knowledge Exchange: Facilitated by Milenko Gudić

Curriculum & Teaching Issues Which Merit Attention

- 1) How do we enable all to have a deeper understanding of and connection to poverty?
- 2) Can all areas of business education, such as finance, incorporate the poverty topic into the curriculum?
- 3) What is the cause and effect relationship? Does business cause poverty?
- 4) Define the causes of poverty. Do the causes rely on what we do every day?
- 5) While it is important that businesses use a portion of their profits to help the poor, it is more important that businesses earn money in less harmful ways.
- 6) We need to recognize that businesses products are both good (taxes and jobs) and bad. We also need to discuss the role of business in society and promote the idea of sustainable development and responsible leadership.
- 7) Faculty need to find ways to reduce reliance on text books which very rarely include information on poverty.

8) We need to involve student more in the learning process, including through the experiential, action and service learning approaches.

9) There is a need for open access to a data base of poverty-related curricula and material together with a guide as to how to incorporate the topic into a course. This data base should be flexible enough to meet the needs of a range of business education requirements, starting with cases where faculty need a limited amount of material so as to include the topic in a course, to cases where faculty require material and curricula to teach a course on poverty.

10) Faculty development is critical since any innovation in one aspect of the educational process (e.g. content) requires appropriate innovations in all the other segments (e.g. educational methods and tools, student and faculty engagement, institutional and organizational policies and arrangements, etc.). These efforts should also encourage faculty to use their academic freedom for critical thinking, innovation and change.

Conference Proceedings

Academic papers

Innovations in Poverty Alleviation: The Stories of Three Indian Entrepreneurs

Gerard Farias, Madison, NJ USA

Extended Abstract

The story of poverty in India is not new. India is estimated to have a population of more than 1.2 billion people, with about 70% living in rural areas. The Indian government has officially defined the poverty line at about 50 US cents per day, way below the World Bank and United Nations definitions of \$1.25 a day. This poverty line along with the fact that India has achieved impressive levels of economic growth has led to the claim that India has brought its poverty levels down to about 21% of the population in recent estimations. However, these numbers have been disputed with observers claiming that the number of poor in the country has remained constant at about 400 million people and the reduction in the ratio is an artifact of the steady population growth. After all 400 million exceeds the population of many countries including the United States. Further, by setting the poverty line at 50 US cents per day, many people who actually in poverty appear above the poverty line. According to Kaul (2013), about 67% of the Indian population lives in poverty. While poverty is India's most pressing issue, it is also accompanied by host of other issues that serve to further compound the problem. For instance, India's agriculture (that generates income for 70% of the country's population) is prone to the vagaries and inconsistencies of the monsoon often driving even more people into poverty.

It is against this backdrop that the paper will feature three innovative social entrepreneurs (Bornstein & Davis, 2010) and their efforts to impact a section of Indian society. The paper will explore the motivations and purpose of these entrepreneurs with the idea of developing a deeper understanding of how business schools curricula could address the development of leadership, passion and drive to facilitate thinking and appreciation of global social and environmental issues and the initiation of action to address them. All the social entrepreneurs discussed here were interviewed on a one on one in 2011.

The MADness of Jithin Nedumala and Sujith Varkey

Sujith Varkey had just been accepted to one of India's leading law schools and as a gesture of thankfulness, he and Jithin Nedumala, his classmate, took some sweets to share with the children at an orphanage in Kochi, India. In conversation with the children, they understood that the children would like books to read. They returned a week later with books and told the children that they would be back the following week and would like to hear about the progress they had made. When they returned, they were pleasantly surprised to find that the children had written book reports to demonstrate their efforts. But Jithin and Sujith realized that these children could use help. They determined that if the children were tutored in English, they would, in addition to learning the language, become more employable in the future. They organized a group of friends to begin visiting the orphanage on a regular basis to teach the children. Thus began MAD—Make-a-Difference. Sujith Varkey took the concept with him when he moved to law school in the city of Pune and began a chapter there. As word of MAD spread through the media, they began getting requests from students for support to start chapters of the organization in different cities with a large number of India's college youth eager to volunteer. MAD began its work in 2005. Today MAD has chapters in 23 cities, has had 2000 volunteers and has served 5000

children. It adopts a well proven curriculum and takes full responsibility for its results. They have a financial model that makes them self-sufficient operating as a charity. This part of the paper will elaborate on their story.

Meanwhile Jithin, who had started a business while in college, decided that MAD needed a full time CEO who was committed to the success of the organization. He continues to be the CEO today.

Inir Pinheiro and Grassroutes

Inir graduated from with an MBA from Xavier Institute of Management, Bhubaneswar, one of the leading business schools in India in 2006. Typically, in India, companies visit these leading business schools and hire the graduates at very high salaries. Inir, initially participated in this placement process, but decided to drop out and follow his dreams instead. He was concerned about extreme inequality, injustice and a variety of issues that people in India face. After some thought and research, he decided to focus on rural India. He had several goals; first, he wanted to address poverty in rural India. He believed that addressing poverty would not only improve the quality of life of people in the villages, which in turn would reduce the need for rural to urban migration. Second, he wanted to introduce rural India to urban India. He decided to develop small villages as tourist destinations with an emphasis on maintain the character of rural life. This involved an initial investment in building a basic structure to accommodate tourists and providing training to the citizens of the village to host their guests. The visitors would experience rural life, including their day-to-day activities. It is important to emphasize that the amenities built for the tourists are very basic with the intention of giving visitors a genuine experience while simultaneously preserving the village lifestyle. Grassroutes, the for-profit company incorporated to implement this social business solicits grants to make the initial investment in each village. Once the village was established as a destination, Grassroutes markets each village to a variety of clients from vacationers to corporate training departments. Inir has won several awards for his work and his project. This part of the paper will tell his story.

Dhruv Lakra and Mirakle Couriers

Dhruv used to work as an investment banker. While he was paid well, he was dissatisfied and felt that he needed to make a contribution to society. He gave up his investment banking position when he was admitted to the Social Entrepreneurship program at Oxford, England. While on a trip back to India, he boarded a Mumbai bus and happened to sit next to a young man who was deaf on the bus. He attempted to communicate with him and realized how difficult it was and was moved. Through his research he found that India has about 6 million deaf people and in most cases they are afforded little dignity, have almost no opportunities for jobs and a generally considered a burden on society. Dhruv decided to start a parcel courier service that would employ only deaf people. While, a courier service employing only deaf people would pose its own unique challenges, Dhruv was committed to creating profitable company even while creating an environment of dignity and respect for the deaf. This was the genesis of Mirakle Couriers.

Each of the above examples tells the stories of entrepreneurs who chose to address societal issues and poverty either directly indirectly. They come from different educational backgrounds. Each

of them is dissatisfied with “business-as-usual” and believed that they could meaningfully impact a part of India’s population. There are differences in how they made their choices. The genesis and evolution of MAD was emergent, and the growth was opportunistic. In contrast, both Grassroutes and Mirakle Couriers followed a more traditional route (relatively) as they needed the support of investors. The origination of the idea for MAD and Mirakle Couriers happened by a chance meeting. The idea for Grassroutes was a result of a search for an idea. All the entrepreneurs share a deep passion for and commitment to what they do.

REFERENCES

Bornstein, D. & Miles, S. (2010) *Social Entrepreneurship: What everyone needs to know*. Oxford University Press, New York, NY.

Kaul, V. (2013) Required: A new poverty line that shows that 67% of India is poor.
<http://www.firstbiz.com/economy/required-a-new-poverty-line-that-shows-67-of-india-is-poor-43862.html>

Author Information:

Gerard Farias is Associate Professor in Management at the Silberman College of Business at Fairleigh Dickinson University in Madison, New Jersey.

Women Empowerment, Poverty and Microfinance – The Pakistani Experience

Salman Khan, New York, USA

Christine Farias, New York, USA

Abstract: This paper describes the activities of The Kashf Foundation, a wealth management company for low income households focused on empowering women and promoting entrepreneurship and poverty alleviation through innovative microloan programs. The goal of this organization is to alleviate poverty by providing innovative and affordable financial and non-financial services to low income households, especially women, in order to enhance their participation in the labor force.

Key Words: Microfinance, Pakistan, Women Empowerment

BACKGROUND

Pakistan is located in South Asia with Afghanistan, China and India on its borders and is a gateway to the Middle East and Central Asia. More than one-quarter of the population in Pakistan is classified as poor according to data provided by the finance ministry in its economics survey of 2010-2011¹ **Error! Hyperlink reference not valid.** The Pakistani Government estimates that 40-43% of the people live below the poverty line². The non-income measures of welfare related to health and education are low in comparison with those of other countries in South Asia. Table 1 highlights gaps in wellbeing and life chances in Pakistan in relation to other regional countries. Health outcomes in Pakistan are low compared to other countries in South Asia. Some of the factors that account for this lack of progress is the high population growth of 2.0 percent in 2013. Life expectancy in Pakistan is 65.5 years as of 2012. Indicators relating to child mortality and maternal health also shows low progress for Pakistan.

Furthermore, the impact of the increase in international prices of major food commodities which reached their highest level in nearly 30 years had a very negative impact on the poor. A study conducted by the food and agriculture organization suggests that higher prices increased poverty. The poor were hurt by higher prices in all countries studied (Albania, Bangladesh, Ghana, Guatemala, Malawi, Nepal, Nicaragua, Pakistan, Panama, Tajikistan and Vietnam)³.

Micro lending in Pakistan till the late nineties was confined to the agricultural sector, with an emphasis on production loans rather than developmental loans. In the year 2000, there emerged a realization that the poor need a broad range of services in order to promote sustainable growth. Subsequently, the microfinance sector has been experiencing growth and making progress towards profitability despite facing various external challenges. Due to a favorable market

¹ http://www.finance.gov.pk/survey_1011.html

² <http://www.pbs.gov.pk/>

³ The State of Food Insecurity in the World, FAD, Rome 2011

environment both existing and new investors continue to invest substantially in microfinance banks.

Table 1: Regional Countries Human Development Indicator

Country	Life Expectancy 2012	Infant Mortality Rate Per 1000 2011	Under 5 Mortality Rate Per 1000 2011	Maternal Mortality Rate Per 1000 2011	Population Growth Rate(%) 2012
Pakistan	65.7	59	72	260	2.03*
India	65.8	47	61	200	1.31
Bangladesh	69.2	37	46	240	1.58
Sri Lanka	75.1	11	12	35	0.91
Nepal	69.1	39	48	170	1.77
Bhutan	68.0	42	54	180	1.18
China	73.7	13	15	17	0.48
Malaysia	74.5	06	07	29	1.57
Indonesia	69.8	25	32	220	1.03
Philippines	69.0	20	25	99	1.87
Thailand	74.3	11	12	48	0.54

Source: Human Development Report 2013 & UNICEF

*National Institute of Population (NIP)

In Pakistan, microfinance is gaining importance as an effective tool of social mobilization and poverty alleviation. Currently, a variety of institutions ranging from NGOs to private and government sponsored rural support programs are delivering microfinance services to the poor. With a view to enhance the access of low-income communities to socio-economic services, the Government of Pakistan has set up an independent unit, the Pakistan Poverty Alleviation Fund (PPAF). The Fund is working through a network of partner organizations providing strong community outreach programs. PPAF continuously monitors and analyzes the effectiveness of its programs.

Introducing microfinance to empower women is a complex issue in Pakistan particularly because of the strong religious, cultural, and educational barriers that prevent women from contributing to the household income as well as participate actively in the labor force. Women in Pakistan are very poorly represented in the labor force accounting for one of the lowest female labor force participation rates in the region. The gender gap of more than 50 percentage points in the labor force participation rate in Pakistan is much higher than the average gap of 35 percentage points in South Asia. In this context, it will be important to ensure gender equality in accessing social service and labor markets since neglecting the provision of equal access to women would forego the potential contribution of half of its human resources⁴. While poverty rates in Pakistan have declined from 34.5% in 2001-02 to an estimated 17.2% in 2007-08, women and girls are still underrepresented in the labor force⁵.

⁴ Poverty Reduction Strategy Paper –II.

<http://www.worldbank.org/en/results/2013/04/26/pakistan-achieving-results-in-a-challenging-environment> .

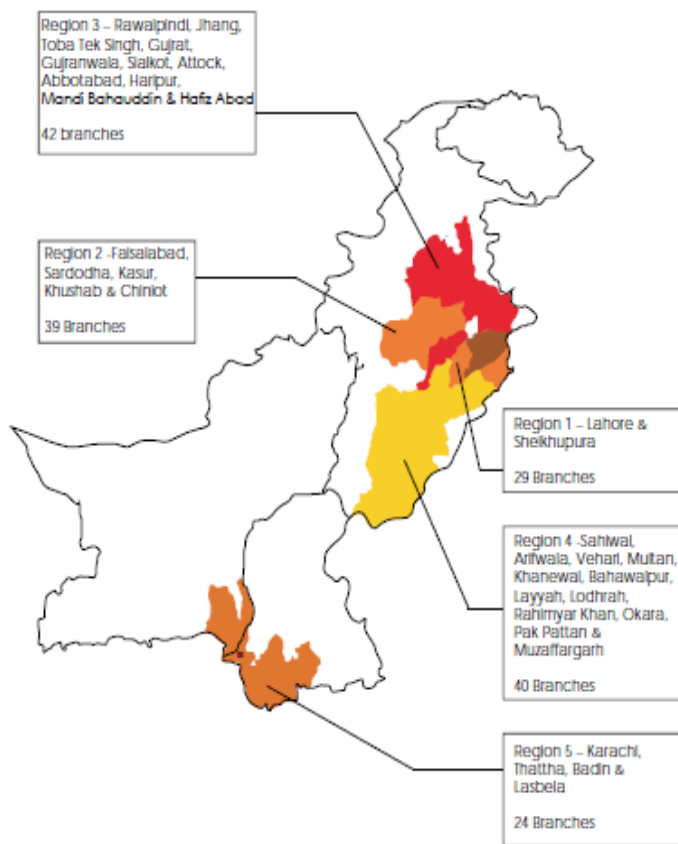
⁵ www.worldbank.org

This paper will provide an overview of the microfinance industry in Pakistan and the important role it has played in empowering women with the purpose of alleviating poverty. This overview will be enriched with a more detailed understanding of the specific challenges, approaches and effectiveness of a specific organization that has been active in the field.

Micro lending in Pakistan

The Pakistan Poverty Alleviation Fund (PPAF) is the lead agency for poverty reduction in Pakistan and is one of the largest spenders on the poor in the country. The organization symbolizes the fortitude of public-private partnership in order to address various issues of poverty with the objective of achieving social and economic change.

Being a community-led, demand-driven institution, PPAF focuses on partnerships which are value-driven. The essence of PPAF's work is to support and strengthen institutions for the poor (partner organizations) in developing institutions of the poor that are well governed, transparent, democratic, and accountable. One of those organizations is Kashf Foundation. Our paper attempts to understand the impact and success of how the programs supported by the PPAF



network of organizations are changing the way women are viewed in Pakistan and the impact it is having on women empowerment and microcredit innovations to combat poverty. The paper will focus on examining the case of Kashf Foundation and its innovative and successful microfinance programs that are empowering women and alleviating poverty in Pakistan.

KASHF

The Kashf Foundation was set up in 1996 to demonstrate that the economic empowerment of women can be a key enabling factor to move Pakistan beyond its current social and economic standing. In 1996, for every Rupee disbursed in the market as micro-loans, only 25% was provided to women but currently in Pakistan's microfinance sector almost 50 percent of the clientele are

women⁶. The foundation has not only a vivacious financial access program, but it also offers non-financial services such as financial literacy and education trainings, business development

⁶ Kashf.org

trainings, trainings on gender roles, gender justice and business expansion trainings so that households can effectively use the credit they access from the institution.

Kashf Foundation's economic empowerment program has grown from 913 female clients in June 1999 to 312,182 female clients in June 2013 with an outstanding portfolio of Rs 3.54 Billion (\$30.54 million) and cumulative disbursement of Rs 29.67 Billion (\$296.7 million) to over 2.22 million female clients.

Kashf Foundation has trained 527,376 clients in financial literacy and financial education (cumulatively) since 2010 and provided trainings on gender justice and gender empowerment to over 93,709 participants (since 2011)⁶ - this includes clients, their husbands and adolescent boys from the community.

Demand driven Approach

The Kashf Foundation does this by analyzing client business and household cash-flows during the due-diligence phase. A complimentary client feedback system is also in place which provides client feedback and insights on existing and new facets of the business. The officers at the foundation undertake detailed and in-depth Business Appraisals to understand clients' business and financial needs. In the appraisal, all related costs, revenue and profit are determined alongside all costs incurred at the household level, to ascertain the client's monthly net disposable income. This allows them to better assess the appropriate product offerings and loan amounts for the clients and maintain its code of ethical and responsible finance by reducing the incidence of over-indebtedness. Furthermore, the oversight process allows the organization to conduct frequent loan utilization checks at a client's place of business, to monitor loan use and get ongoing insights on clients' business needs. Clients are also visited by Branch Managers, Area Managers, Senior Area Managers and Regional Managers in order to assess client satisfaction with product offering and staff behavior.

Innovative Programs and Products

KASHF uses multiple innovative programs to empower women in Pakistan such as Women Entrepreneurs Council- which helps the organization stay abreast with client needs and solicits feedback on all facets of the program. Female clients value the ability to undertake financial transactions themselves without having to rely on others to do simple things such as budgeting and simple book-keeping. Keeping this in view, Kashf Foundation has designed and implemented financial education as a key product offering. It is also one of the first microfinance institutions in Pakistan to produce and air an awareness raising campaign through mainstream media. Kashf Foundation produced and aired a 15 episode TV show and 8 public services messages. The media campaign highlighted the issues and constraints faced by women and low-income households in Pakistan and empowered women with the ability to recognize their own economic worth and find sustainable solutions to their issues. This is gradually changing how women are viewed in Pakistan, though wide disparities exist between rural and urban Pakistan.

1. Women Entrepreneurs Council

A key innovation in Kashf Foundation work is creation of a Women Entrepreneurs Council (WEC), which helps the organization stay abreast with client needs and solicit feedback on all facets of the program. Kashf Foundation undertakes a quarterly meeting with the client

representatives that form the WEC. The WEC has client representatives from all of Kashf's areas of operation. These WEC members interact with other clients in their areas to understand overall needs, identify client level issues and highlight initiatives that the clients' would like to introduce. Based on the background knowledge of peers within their areas and their own personal experiences, the members of the WEC make recommendations to Kashf's management. The Kashf management also discusses ideas for new products and envisions changes in the product methodology with the WEC members for their feedback and insights.

2. Financial Literacy

Financial education is a key component of Kashf foundations approach especially in the case of female clients who value the ability to undertake financial transactions themselves without having to rely on others to do simple things such as budgeting and simple book-keeping. Kashf has designed an educational product in order to help clients understand cash flows, discern between business and household cash-flows, make simple budgets, and monitor progress against savings goals. The program is called Systemized Financial Education (SFE) training. They also work on ensuring that all financial education training is provided in the community so that clients can come to the training with ease and convenience. The training is delivered at the house of a client (who volunteers) and is located in the close vicinity of participants' houses. Proximity of service provision is a key attraction for low-income households, especially women, making this a popular program.

3. Kashf School of Finance

Another attractive product the Kashf School of Finance, aims to help low-cost private schools improve the quality of the education provided. In the program, school owners and Kashf staff adopt a consultative process to determine the most important capital needs for the school – this may include infrastructure investments such as desks, chairs, blackboards and classrooms or investments in working capital such as teachers' salaries, school administration and improvements including painting, building maintenance and replacing old computers.

4. Use of Media

Kashf is one of the first microfinance institutions in Pakistan to produce and air an awareness raising campaign through mainstream media. Kashf Foundation produced and aired a 15 episode TV show and 8 public services messages. The media campaign highlighted the issues and constraints faced by women and low-income households in Pakistan.

Impact of Microfinance

The microfinance sector in Pakistan, is relatively young compared to those of other countries in the region, and it continues to progress. There are a lot of issues that still need attention and serious consideration especially when it comes to areas such as access to finance, sustainability

and efficiency. Structural reforms in Pakistan's economy, and particularly in the financial sector, were initiated in the early 1990s. The reforms included the following:

- **The liberalization of the economy**- This meant the opening of the economy and promoting competition while endorsing policies in order to attract foreign and local investment.
- **The privatization of State Owned Enterprises SOE's** such as some of the main banks in the country has resulted in visible improvements in the nature, form, scale and depth of the financial sector and in financial intermediation.
- **The State Bank of Pakistan (SBP)** which is equivalent to a central bank in another country, had been under the control of the Ministry of Finance, but was given a higher degree of autonomy. The SBP has played a key role in the evolution of micro finance policy in Pakistan since 1999. A Microfinance Support Division was established at SBP, in order to improve the environment in which the new and existing micro finance institutions were to function. The SBP has been encouraging the provision of credit to entrepreneurs. The SBP considers this to be the 'only durable basis through which the poor can benefit from the financial sector of the country' (SBP, 2003).
- The establishment of **credit agencies** (for rating of banks and other financial institutions)

Definition of Poverty

The government of Pakistan defines someone as poor, in need of financial assistance as those with a per capita consumption level below the government's poverty line. The poverty line is defined as "the level of total per capita monthly expenditures at which an individual obtains the minimum caloric requirement (2,226 cal. per adult)⁷". One of the key lessons for a country like Nicaragua is to cultivate a banking system that runs parallel with economic growth, This would help the sector of Micro Finance to capitalize on the growth, which Pakistan has not been able to do.

The critical aspect that a country like Nicaragua has to focus on is the access to financial services so and to gauge the impact of microfinance sector on empowering women and alleviating poverty. Foundations like Kashf are trying to provide financial access to the most needy in order to have some kind of effect on poverty alleviation.

The poverty reduction strategy and lessons for Nicaragua

The government of Pakistan in 1999 started a comprehensive process and deliberation to deal with poverty and also discussed specific reforms for the microfinance sector in Pakistan. The Interim Poverty Reduction Strategy Paper (I-PRSP,) which was published in November 2001, is 'a comprehensive strategy, which links social and poverty related expenditures with the attainment of key social and human development outcomes. The I-PRSP is a concerted effort aimed at pooling poverty reduction efforts at the federal, provincial, and district levels, across various ministries, departments, and divisions, to ensure realization of desired outcomes by focusing on key success drivers.'. The government came to the realization that access to credit

⁷ sbp.org.pk

was the best way of empowering the poor and improving their incomes and lives. An example of such a partner was the Asian Development Bank which expressed that 'poverty reduction potential of micro-finance [was] widely recognized at the policy level and among the development community' (ADB, 2000). The Governor of the State Bank of Pakistan in 2003, stated that micro finance needs to be placed in the 'overall context of the efforts of the State Bank in expanding the outreach of financial services and help the goal of poverty alleviation in the country' (State Bank of Pakistan, 2003). The microfinance institutions ordinance 2001 was propagated by the government of Pakistan for the development of the microfinance sector by introducing the concept of a 'microfinance institution' (MFI), defined as 'a company that accepts deposits from the public for the purpose of providing microfinance services.'

In Pakistan, poverty alleviation is one of the major goals for any institution in the microfinance sector. However this excessive focus can sometimes inhibit the growth of the sector. So for Nicaragua to benefit and promote economic growth a key factor is not to equate poverty alleviation to microfinance. Because of the Pakistani experience at Kashf, this tends to limit the size of the sector and hinder the main objective which is to provide access to financing to people at large. It can certainly work as a poverty alleviation tool, while at the same end of the spectrum create jobs and meet the needs of the poor. Another key lesson for Nicaragua is that most of the time the micro finance sector like Kashf Foundation do not necessarily reach the poorest of the poor. Another key lesson from Pakistan is with regard to the institutions involved in the microfinance sector. Through these microfinance institutions, the government has created a segmented market where the poverty alleviation and social aspects of finance would be taken care of by smaller and specialized banks and not by the large commercial banks. Large commercial banks would be left to develop the fast-moving and higher end of the overall credit market. Since most of these banks have now been privatized the social and governmental pressure on these institutions has been reduced and most commercial banks don't feel an obligation to lend to the needy or poor segment of the market.

Nicaragua can learn a very helpful lesson from the Pakistan Microfinance sector which is its heavy reliance on subsidized funds to cover most costs and maintain operations. To ensure the sustainability of the industry, Nicaragua should build their own institutions with exceptionally low cost structures and reconsider pricing their products and services in order to enhance their revenues and become self-sufficient. One of the key features of microfinance institutions in Pakistan is that they are being led by unsustainable institutions that are heavily subsidized. The main goal of most institutions is to provide regular and reliable access to financial services, but the majority of these institutions are unable to generate sufficient revenues to cover their cost of operations. According to a study conducted by the Ministry of Finance in conjunction with the UK Department for International Development (DFID) - "Moreover, the asset side of the balance sheet shows that MFIs are using their assets inefficiently. There are several reasons why MFIs do not optimally utilize their resources. Across the country, microfinance is regarded as a charitable activity. Institutions thus charge exceptionally low interest rates and do not regard their credit operations as a significant means to raise revenue. The challenge to MFI profitability in Pakistan thus appears to stem from a charitable vision of microfinance that has adverse effects on product pricing, asset allocation and credit risk throughout the sector. MFIs are averse to charging sustainable interest rates since these are perceived as usurious and counter to the movement's mission of alleviating poverty. Microfinance providers thus wind up on a low cost low yield

curve, running heavily subsidized programs. Also, and of particular relevance to this poverty and social impact assessment, the MF sector has yet to demonstrate its potential in terms of its social and poverty impact.”

CONCLUSION

The micro finance sector in Pakistan is not far behind most of the competing countries in the region such as India, Bangladesh, Sri Lanka and China. So for a country like Nicaragua learning from an organization like KASHF foundation specifically the way they function is a small part of a bigger picture. The country has to specifically learn from the mistakes and policy implementation that the government of Pakistan has pursued. All the basic functions of micro finance institutions will be fulfilled if access to capital and a system that promotes the industry is provided and supported by the government initially. So what can be categorized as the right conditions for a country like Nicaragua to promote the microfinance industry and maximize its social and poverty alleviation impact? The answer to this question is the high levels of macroeconomic stability coupled with the development of the banking sector. From the Pakistani experience the government of Nicaragua should play a catalytic role in the initial phase of the industry and then eventually let the microfinance industry evolve under its own momentum. Another key aspect is the liberalization of its economy in the early stages of the microfinance industry while remaining alert to not creating an artificial segmentation of the sector that inhibits growth of the micro finance sector.

Author Information

Salman Khan is a Research Associate at LS Capital Partners Management LLC New York, New York.

Christine Farias is a Lecturer in Bert W Wasserman Department of Economics and Finance, Zicklin School of Business, Baruch College, City University of New York.

“Home-Based Convenience Stores at the Base of the Pyramid:
A Case Study of Nicaraguan *Pulpería* Entrepreneurs”

Michael J. Pisani, Mt. Pleasant, Michigan USA

Abstract. – In this paper, I explore the business and (household) income outcomes of base of the pyramid (BOP) in-home convenience store entrepreneurs through a census-like business survey in Nicaragua. Utilizing a 2012 cross-sectional and nationally representative business focused micro data set (*bases de datos de la encuesta continua de hogares*) undertaken by the *Nicaraguan Insituto Nacional de Información de Desarrollo* (INIDE), 470 *pulperos* are examined. In-home convenience stores or *pulperías* are ubiquitous BOP businesses serving BOP consumers. Most *pulperías* are operated by female entrepreneurs in an informal regulatory environment and serve as a link toward poverty reduction at the BOP. Multivariate analyses suggest gender, location, record keeping, work experience, job satisfaction, and hours worked all have a significant impact on *pulpería* profits.

Key Words – Entrepreneurship, *Pulperías* (*Tienditas*), Poverty Reduction, Base of the Pyramid, Nicaragua

INTRODUCTION

It has been over a decade since C.K. Prahalad argued that multinational corporations (MNCs) could help themselves by helping those at the “bottom of the pyramid” (Prahalad, 2004). Importantly because of his academic stature, Prahalad brought renewed management and global attention to the plight of those around the world earning just a few dollars or less a day. However, his message suggesting that MNCs could and should drive the process of poverty alleviation in the developing world misses and excludes a vast reservoir of entrepreneurship already present at the base of the pyramid⁸ and capable of serving the needs of those at the base of the pyramid (Pisani & Patrick, 2002). These base of the pyramid entrepreneurs— farmers, store keepers, tradesmen, and the like— have been present all along, but have been largely overlooked in their potential to assist in the sustainable development of the base of the pyramid (BOP). While these BOP entrepreneurs are not the sole solution to reducing poverty in the poorest regions of the world, they should play an important role in a comprehensive policy approach toward poverty mitigation. Hence a better understanding of the entrepreneurial talent at the BOP will help construct meaningful policy approaches. As such, this paper focuses on one popular and widespread business segment of entrepreneurs at the BOP operating in Nicaragua: the in-house convenience store or *pulpería*.

⁸ More recently, the phrase “base of the pyramid” has mostly replaced the more pejorative expression “bottom of the pyramid”.

The *pulpería* or alternatively named *tiendita*⁹ located in most of Latin America more closely resembles a microenterprise than a small business because very few *tienditas* employ more than a single employee, though most utilize unpaid family members as helpers within the microenterprise (Pisani & Yoskowitz, 2012). Academic researchers have classified microenterprises as business entities with typically five or fewer employees, engaged in non-primary activities, and selling at least 50% of their output (Johnson, 1998; Mead & Liedholm, 1998).¹⁰ Mead and Liedholm (1998) found that working proprietors or one-person shops accounted for over half of all microenterprise employment in the developing world. Extending the workplace to unpaid family members within working proprietorships accounts for over 75% of all workers engaged in microenterprise establishments (Mead & Liedholm, 1998).

It is the *pulpería* that is situated precisely at the crossroads between BOP entrepreneurship and BOP consumers. This crossroads embraces the ability to serve the BOP while improving one's own economic standing within the BOP. My research questions seek to better understand the BOP entrepreneur—including base characteristics and business outcomes—through the entrepreneurial lens of *pulpería* owners in Nicaragua. Restated, “What are the personal characteristics of and business outcomes for *pulperos* in Nicaragua?” And “How are the outcomes related to poverty reduction at the BOP?”

The remainder of the paper is organized as follows: section two describes *pulperías* (the sampling unit) and associated microenterprise literature. Section three explains the research methodology and context of the study. Section four presents my results concerning the segmentation of *tienditas* and the poverty reduction impact of *tiendita* ownership on the household with section five providing a discussion of these results. The last section concludes the paper.

PULPERÍAS

Pulperías (tienditas) are pervasive throughout Latin America. The in-house convenience or tiny grocery store is typically found in the relatively poorer or underdeveloped sections of the country—such as shantytowns, rural hamlets, and urban barrios. The *pulpería* caters to a nearby clientele that is bound to the neighborhood by location, primarily the result of mobility constraints resulting from a lack of financial resources, inadequate transportation alternatives, and poor job prospects. In Nicaragua, more than half of urbanites and roughly three-quarters of rural residents chose *tienditas* as their primary shopping outlet (D'Haese, Van de Berg, & Speelman, 2008).

The in-house convenience store typically devotes and converts the front section of the home to a selling space or retail outlet. The basic stock of a *pulpería* includes staple food supplies, hygienic products, junk food, school supplies, and other specialty items depending upon the *pulpería*. Start-up costs for *pulperías* may be relatively small, oftentimes less than \$100 (Pisani

⁹ The term *pulpería* is commonly used in Nicaragua to describe these in-home convenience stores. Throughout much of Latin America, however, the more often used term is *tiendita*. Both terms as well as *tendero/a* and *pulpero/a* (owner of a *tiendita* or *pulpería*) are used interchangeably in this paper.

¹⁰ This is in contrast to SMEs which usually allow for firm size to include up to 50 employees.

& Yoskowitz, 2012).¹¹ The typical *pulpería* is open from six in the morning until eight in the evening, seven days per week. For the best and most regular customers, *pulperías* may extend credit. The workforce principally comes from the family unit, typically under the direction of the wife, who is almost always at home because of the home-based location of the business, and is generally supported by other family members in the household (Haase, 2007).

Pulperos are microentrepreneurs and as such are self-employed where entrepreneurship refers to own-account employment (Blanchflower & Oswald, 1998). Entrepreneurs at the BOP have been described as lying on a continuum between necessity-driven entrepreneurs (own-account business owners without other employment options) and opportunity-driven entrepreneurs (own-account business owners by choice, exploiting a market niche [Kirzner, 1973]). For example, Williams (2008, 2007) observed that both necessity and opportunity drive many into informal entrepreneurship. Gurtoo and Williams (2009) find that in India self-employed informals may be necessity and/or opportunity driven over time, illustrating microenterprise life cycle dynamism as the motivation to participate in the informal economy.

Tienditas are mostly informal business concerns as are the majority of the microenterprises in developing countries and Central America (Funkhouser, 1996; Jain & Pisani, 2008; Pisani & Pagán, 2004; Pisani & Yoskowitz, 2012). The retail function of *tienditas* may be performed under the auspices of government regulators and tax collectors, but more often than not, the government is absent from *tiendita* oversight. This hidden from government purview employment has been referred to as informal employment (Hart, 1973, 1970). In essence work “activities that avoid state regulation” best describes informality (Itzigsohn, 2000, p. 11).

Recent scholarship has revealed the importance of the macroeconomic climate at the BOP in combination with microenterprise health (Daniels, 2003; Pisani & Patrick, 2002), microfinance and microenterprise development (Baptista, Ramalho & da Silva, 2006, Pisani & Yoskowitz, 2005), the returns to small start-up investment (McKenzie & Woodruff, 2006), and as dynamic or disadvantaged enterprises (Fajnzylber, Maloney & Montes Rojas, 2006; Nichter & Goldmark, 2009). The literature is mixed with regards to micro-entrepreneurship and the sectoral maximization of earnings (Daniels, 2003; Pisani & Pagán, 2004; Fajnzylber, Maloney & Montes Rojas, 2006).

RESEARCH METHODOLOGY

The cross-sectional data set, *bases de datos de la encuesta continua de hogares [ECH] (II trimestre del 2012)*¹², utilized in this paper was accessed through the *Nicaraguan Instituto Nacional de Información de Desarrollo (INIDE)*. Partial external support for the survey came from the Economic Commission for Latin American and the Caribbean and the International Labour Office. The ECH survey was deployed by INIDE and completed in Nicaragua from April to June 2012 with a primary focus on economic activity. The household questionnaire contains categorical and ratio data concerning the household roster and demographics and employment. The random national household survey included 6,811 households spread

¹¹ All monetary amounts in this paper have been converted to U.S. dollars.

¹² The data set and accompanying material are available at: <http://www.inide.gob.ni/>.

representatively across the country and included 31,281 persons.¹³ *Pulperías* were identified utilizing two ECH survey questions in combination: occupation as shop keeper (*vendedores y demostradores de tiendas y almacenes*) and location of business (*en su propia vivienda*). Hence only stores located in one's home were included. As the weighting mechanism was not adequately described in the ECH survey documentation, no weighting was used in the empirical analysis reported in the results section of the paper. However, preliminary weighting may suggest a national total of 213,500 Nicaraguans employed in 91,313 *pulperías* across the country.¹⁴ Nonetheless, the final results utilized in this paper display information from 1,079 employed (owners and employees) in 470 *pulperías*.

The Nicaraguan Context

Contemporary Nicaragua has faced many challenges including natural disasters (e.g., earthquakes and hurricanes), social, economic, and political upheaval (e.g., revolution and counter-revolution), external pressures and shifting alliances (e.g., the oscillating roles of the US, socialism, the Nicaraguan diaspora, and Venezuela), and widespread poverty (e.g., about three-fourths of the current population lives on \$2 or less per day [World Food Programme, 2014]) (Walker & Wade, 2011). More recently, the political landscape has been dominated by Sandinista Daniel Ortega who has held the presidency since 2007. Under Ortega's leadership, the nation's foreign policy has tilted to the left and aligned the state with the Bolivarian alliance centered in Venezuela. Economically, the nation is tied to the capitalist global market, in particular the United States and the CAFTA region plus Venezuela.

Nicaragua, with approximately six million inhabitants, is the second poorest country in the Western Hemisphere with a 2011 per capita GDP of \$1,510 with 42.5% of households living below the national poverty line (World Bank, 2013). Presently the economy is growing between three and five percent per year with moderate inflation under ten percent (Banco Central de Nicaragua, 2013). Informal employment remains persistently high at about 75% of all employed Nicaraguans. There is a direct relationship between informality and self-employment which are both inversely related to per capita income (Xavier et al., 2012). Hence, self-employment remains an important economic employment outlet and driver of the economy with self-employment comprising roughly one-third of the economically active population (Banco Central de Nicaragua, 2013, Pisani & Pagán, 2004). The composition of the \$10 billion economy is about 35% services, 35% manufacturing, and 30% agriculture. The economy is very open to global trade with imports and exports comprising 105% of GDP and overseas remittances accounting for 15% of GDP (Banco Central de Nicaragua, 2013). Lastly, the capital city, Managua, is a classic Latin American primate city containing about half of the nation's population and is the hub of the nation's economic activity.

¹³ The representative national sample of households, or sampling frame, was selected randomly from approximately the same number of households from each department of Nicaragua except the capital city of Managua, where that number was tripled. Care was taken to include both urban and rural households in the same proportion as the population in the region. The universe of households (7,460) was derived from previous censuses, voter registration rolls, and validated with field observation. The non-response rate was 8.7%. Overall, the quality of the data and sample are considered good.

¹⁴ No specialized government census of *tienditas* exists for Nicaragua.

RESULTS

In this section, results are presented to provide insight into the two research questions which are focused on the personal characteristics of and business outcomes for *pulperos* in Nicaragua and how these outcomes relate to poverty reduction. To begin this section, I contrast and contextualize *pulperos* from their employees. Previous research has shown *tenderos* to be highly segmented by gender; hence *tenderos* are next disaggregated and described by female and male owned *tienditas*. Subsequently, multivariate analyses as to the determinants of business profits are presented. Lastly, household income in relation to potential poverty outcomes is offered.

Pulpería Owners and Workers

A demographic profile of *pulpería* entrepreneurs and workers appears in Table 1 in the Appendices. Entrepreneurs are overwhelmingly female while employees are also majority female and many are children. The survey is national in scope with all of the regions represented noting the principle importance of Managua. Urban areas house about two-thirds of *tiendita* owners and workers in households holding around five people. *Pulperos* are nearly twice as old as their workers. The workers are nearly all (98.9%) part of the larger family structure and receive almost no explicit monetary remuneration for their assistance in the *pulpería*. Most of the owners and nearly all of the workers proclaim literacy, yet the workers have generally more education than the *pulperos* perhaps indicating improved educational outcomes for *pulpero* children. The *tiendita* owner typically resides in a married household with the younger workers more likely to be single.

[Gender-Based Comparison of *Pulpería* Firm Characteristics

As already noted, the vast majority of *pulpería* owners are female, this reality deserves further explanation. Pisani and Yoskowitz (2012) and Haase (2007) suggest the gendered nature of *pulpería* ownership is a result of the convergence of women's work and women's role in the home, socially constructed. That is, "in this view, female business proprietorship undertaken in the home is acceptable, perhaps moral, because 'good' women remain at home under the watchful eye of husband, family, and community" (Pisani & Yoskowitz, p. 124). Hence the *pulpería* "is situated at the junction of public and private spaces, where the home dually serves as a business establishment literally adjacent to the street, and as the hearth of the family where the most intimate family affairs are conducted" (Pisani & Yoskowitz, p. 124).

Most, but not all, *pulperos* operate their microbusiness as a year around endeavor (see Table 2 in the Appendices). When in operation, the microenterprise generates business income; reported mean monthly profits were \$85.17 for female *tenderas* and \$156.23 for male *tenderos*.¹⁵ A significant profit gap exists between female and male *pulperos* where female owners earn profits just over half (54.5%) of their male counterparts. Most *tenderos* average just a bit more than 40 hours per week working in the *tiendita*. Active record keeping takes place in about one in five *tienditas*. Few employees work in the *tiendita*, most that do help in the *tiendita* are family

¹⁵ The conversion rate used is 22.9840 Nicaraguan córdobas per \$1US as recorded on July 1, 2012 on Oanda.com.

members working without pay and all report an absence of enrollment in social security, a clear sign of informal work conditions.

A majority of *pulperos* wish to remain in their present occupations, though a substantial minority would change occupations if they were able to increase their income by doing so. Yet very few sought new employment elsewhere. However, about one-third of *tenderos* earn income through a second job (though participation in a second job is not correlated with those seeking to change jobs) averaging between 11 and 15 hours a week, respectively for women and men.^{16,17} Of the *pulperos* with a second occupation, two-thirds (66.4%) owned a second business. The account of second businesses include: bakeries/cooks (33.7%); street vendors (29.2%); laundry (9.0%); *tiendita* (7.9%); agriculture (7.9%); seamstress (5.6%); other (5.6%). Those not owning a second business almost exclusively earned a second income through agricultural employment.

Multivariate Analysis for Principal Business Ownership Profits

To better understand the determinants of business profits, I estimated a multiple regression analysis utilizing 15 preselected (a priori) variables. These include gender (female =1), region (Managua [=1] or rest of the country), location (urban [=1] or rural), household size (number of persons living in the household), potential experience (this estimates the amount of potential work experience, calculated as age minus years of education minus 6), potential experience squared divided by 100 (to uncover any nonlinear returns to experience), literacy (literacy = 1), years of education, civil status (married [=1] or not married), foreign remittances (=1 if household receives foreign remittances), keep business records (=1 if *tiendita* keeps separate business records), have employees (=1 if *tiendita* has employees), wish to change jobs (=1 if *pulpero* indicated a desire to change jobs), have a second job (=1 if *tendero* possess a second job), and number of hours worked per week. The dependent variable is business profits per hour (constructed from monthly business profits and hours worked per week variables).

For all *tiendita* owners, the following five independent variables were significant in determining monthly profits: gender, region, business record keeping, wish to change jobs, and hours worked (see Table 3 in the Appendices). Female *pulperas* earned \$0.45 less per hour than their male counterparts, a gender earnings penalty. *Pulperia* location in Managua enhanced hourly earnings by \$0.29. Those *tienditas* that keep business records and accounts increased their hourly profit by \$0.24. *Tenderos* wishing to change jobs earned \$0.26 less per hour than those *tenderos* seemingly happy in their current occupation. Lastly, *tenderos* who worked more hours found themselves earning \$.02 less per hour.

Because women are the clear majority of all *pulperos*, a separate multiple regression with only female *pulperas* was estimated. Five independent variables significantly impact *tendera* profits: region, potential experience squared/100, business record keeping, wish to change jobs, and hours worked (see Table 4 in the Appendices). *Tenderas* located in Managua earned a \$0.26 per

¹⁶ Female *pulperas* earned \$85.17 in their primary occupation and \$10.87 in their second occupation monthly. Male *pulperos* earned \$156.23 in their primary occupation and \$13.97 in their second occupation monthly. The amount of hours worked on the second job was significantly different between men and women (ANOVA, F=6.606, df=1, p=.011).

¹⁷ In contrast, only 11.0% of employees of *tienditas* held a second job. Representative second jobs include: agricultural work (25.4%), *tiendita* (23.9%), street vendor (19.4%), cook (13.4%), laborer (11.9%), and other (6.0%).

hour premium over those *tenderas* located throughout the rest of the country. The returns to potential work experience were nonlinear and negative for women indicating diminishing profits the longer one stayed in business. Business record keeping boosted hourly profits \$0.16 for *pulperas*. *Tenderas* wishing to change jobs saw diminished hourly profits of \$0.23. Finally, the longer *tenderas* worked in the *tiendita* the less she profited per hour by \$0.02 per hour.¹⁸ Too few observations for men made a separate analysis of this type unviable.

Household Income, Poverty Reduction, and *Pulpería* Ownership

Previous research has shown that microenterprise ownership may be a viable poverty reduction strategy for individuals for whom the formal educational system has passed by (Pisani, 2013). As educational opportunities are limited in many developing world contexts, entrepreneurship at the BOP becomes an important path toward poverty reduction. Incomes of *tendero* households in this ECH sample reveal three main sources of income: principal occupation, secondary occupation, and monetary transfers. Household income for *tendero* households is displayed in Table 5 in the Appendices. As already noted, male *pulperos* earn a substantially higher business profit than their female counterparts. Secondary occupational income is comparable between the sexes, averaging just over \$10 per month. Monthly transfer income, for those households that receive it, is substantial. In fact transfer income to the *tendero* household is more than the monthly business profits for female *pulperas* and more than half of the monthly business profits for male *pulperos*. In all, total monthly household income rises above \$100 for female owned *tienditas* and nearly \$200 for male owned *tienditas*. On a per capita household basis, incomes average \$32.02 for *tendera* households and \$60.00 for *tendero* households.

DISCUSSION

Recently, Nichter and Goldmark (2009) advanced our understanding of the structural challenges and opportunities facing micro and small enterprises (MSEs) in the developing world. They lumped together the most challenged or “survivalist” firms as firms (and households) on the margins of life, literally interpreted. Nichter and Goldmark (2009) found that the *most* disadvantaged survivalist firms happen to be those MSEs that are female-owned, informal, and home-based within developing country economic contexts. While not all *tenderos* are female, clearly women dominate the *tiendita* business landscape in Nicaragua. No *tiendita* in the survey reported enrollment in social security, a signal of informality. And by definition, only storefronts embedded within households were selected for analysis; hence in a classic sense, Nicaraguan female *pulperas* match Nichter and Goldmark’s description of a survivalist firm—where average business income falls under \$3 per day.

Additionally, *tenderos* are limited in educational achievement where nearly one-fifth have never attended school and collectively over 60% possess an elementary school education or less. As the average *pulpero* is middle-aged and married, the possibility of acquiring additional education is highly improbable in a developing market context. Within this disadvantaged environment,

¹⁸ Additionally, the multiple regression model for monthly profits for second business ownership proved insignificant. Nevertheless, one variable impacted second business profits: receipt of foreign remittances. Indeed, foreign remittances augmented hourly profits by \$1.48. Hence, assistance from abroad may help create and sustain a notable secondary income. Nevertheless, this result is only to be understood as illustrative of the potential remittances may have on second business income.

the good news surrounds the economic returns to entrepreneurship even where the educational system and accompanying opportunities have passed *tenderos* by. In a country where 75% earn \$2 a day or less, *tenderos* earn nearly one-third more than this perilous benchmark (and some quite a bit more). Additionally, the workers in *tienditas*, who are mostly family members, have a much higher rate of educational achievement suggesting that the children and extended family members of *tendero* households have the ability to pursue greater levels of education— where greater levels of education translate into higher paying work. Even so, about one-third of *tenderos* desire a change of occupational scenery hoping that another job would be higher paying. Second occupations for those *tenderos* who have them suggest few viable alternatives for higher paying work; in essence, many *tenderos* are doing relatively well considering their occupational alternatives.

The gendered nature of work for pay is evident in the substantial earnings gap between female and male owned *pulperías*. Gender accounts for the largest differential among all of the variables estimated to determine profits. This gap reflects the severe undervaluing of female work in Nicaraguan business society (Babb, 2001). Other earnings penalties were associated with dissatisfaction with *tiendita* work, hours worked, and length of time worked at a *pulpería* (females only). Work dissatisfaction and lower earnings are complementary and expected. Working longer in time and experience, defies earnings strategies, but reflects the low value placed upon “women’s time” especially that time spent in the home. Nevertheless, earnings premiums are associated with location in Managua and with business record keeping. As Managua is the economic hub of the nation, it is expected that neighborhood businesses would perform better in the economic magnet of the country. Keeping business records— recording business transactions— separates home accounts from business accounts, assists in the acquisition of business acumen, and facilitates business decision making (e.g., pricing, margin development, and cost control). Importantly, bookkeeping is a transferable skill that may help mitigate against other uncontrollable earning penalties (e.g., gender, location).

Pulpero ownership is clearly a step forward toward reducing poverty at the BOP as the average returns for a full day’s work translates into potential business profits of \$5.36 for women and \$8.48 for men. When combined with other sources of income, such as a second job and transfer income (e.g., remittances, pensions), monthly household income exceeds \$100 for *pulperas* and \$190 for *pulperos*. Of course monthly per capita household incomes reflects the number of persons living in the household, but the threshold number in which per capita income dramatically falls off is 4 household members for *pulperas* (from \$43.12 for a four-person household and \$28.11 for a five-person household) and 5 household members for *pulperos* (from \$111.39 for a four-person household and \$27.04 for a five-person household). As compared to other employment and earnings alternatives for relatively unskilled labor at the BOP, the economic profits associated with *pulpero* ownership provide a stable and above average means of income.

CONCLUSION

Pulperías, in-home convenience stores, are ubiquitous in Nicaragua where the total number of *pulperías* may exceed 100,000 firms employing 200,000 Nicaraguans. This is not an inconsequential business sector. Indeed more than half of Nicaraguans shop frequently at

pulperías, more so in rural areas and in the urban periphery reaching base of the pyramid consumers. In meeting this consumer market niche, *pulperías* fulfill a Kirznerian or incremental market approach (and market need) toward entrepreneurship.

Pulpería ownership in Nicaragua is the primary (though not the exclusive) domain of female entrepreneurs at the BOP. For most *pulperos*, profits achieved through self-employment most likely surpass other realistic employment options. This financial outcome is good news for most *pulperos* who have little or no education. Moreover, business income from *pulpería* ownership is relatively stable in the region, another benefit of *tiendita* ownership (Pisani & Yoskowitz, 2012). This is so in spite of the triple disadvantage of the majority of *pulperías*: female owned, informal, and based in the home (Nitcher & Goldmark, 2009).

Challenges remain, however, for *pulperas* who suffer a large profit penalty because of their gender. While gender roles and economic equality are a larger societal issue, this sector may be enhanced through the targeting of *pulperas* for training in bookkeeping. *Pulperas* who kept a separate accounting of the business earned nearly a 25% profit premium. Public resources could be arranged for basic bookkeeping training at the BOP in order to improve the earnings outcomes of *pulperas*. Other policy initiatives, such as access to financing and investment capital, business planning, and ease of governmental regulation, may also be helpful in sustaining and improving *pulpera* businesses.

Self-employed *pulperos* play an important role at the BOP, not only serving BOP consumers, but also achieving some modicum of relative good fortune for themselves and households given the available alternatives. Hence, work as a *pulpero* may be as good a self-employment option as possible for adult women and men to reduce poverty and move beyond survival at the BOP in a challenging emerging market like Nicaragua.

REFERENCES:

Babb, Florence E. (2001), After Revolution: Mapping Gender and Cultural Politics in Neoliberal Nicaragua, Austin, TX: University of Texas Press.

Baptista, José, Joaquim J.S. Ramalho, and J. Vidigal da Silva (2006), "Understanding the Microenterprise Sector to Design a Tailor-made Microfinance Policy for Cape Verde," Portuguese Economic Journal, 5(3), 225-241.

Banco Central de Nicaragua (2013), "Nicaragua en Cifras – 2012," [Nicaragua in Figures] http://www.bcn.gob.ni/estadisticas/economicas_anuales/nicaragua_en_cifras/2012/Nicaragua_cifras_2012.pdf, accessed on May 29, 2013.

Blanchflower, David G. and Andrew J. Oswald (1998), "What Makes an Entrepreneur?" Journal of Labor Economics, 16(1), 26-60.

Daniels, Lisa (2003), "Factors that Influence the Expansion of the Microenterprise Sector: Results from Three National Surveys in Zimbabwe," Journal of International Development, 15(6), 675-692.

D'Haese, M., Van de Berg, M., & Speelman, S. (2008). "A Country-wide Study of Consumer Choice for an Emerging Supermarket Sector: A Case Study of Nicaragua," Development Policy Review, 26(5), 603-615.

Fajnzylber, Pablo, William Maloney and Gabriel Montes Rojas (2006), "Microenterprise Dynamics in Developing Countries: How Similar are They to Those in the Industrialized World? Evidence from Mexico," The World Bank Economic Review, 20(3), 389-419.

Funkhouser, Edward (1996), "The Urban Informal Sector in Central America: Household Survey Evidence," World Development, 24(11), 1731-1751.

- Gurtoo, Anjula and Colin C. Williams (2009), "Entrepreneurship and the informal sector" Entrepreneurship and Innovation, 10(1), 55-62.
- Haase, Dwight (2007), "Closing the Gender Gap," ESR Review, 9(2), 4-9.
- Hart, Keith (1970), "Small Scale Entrepreneurs in Ghana and Development Planning," Journal of Development Planning, 6:104-120.
- Hart, Keith (1973), "Informal Income Opportunities and Urban Employment in Ghana," Journal of Modern African Studies, 11 (1): 61-89.
- Itzigsohn, José (2000), Developing Poverty: The States, Labor Market Deregulation, and the Informal Economy in Costa Rica and the Dominican Republic, University Park, PA: The Pennsylvania State University Press.
- Jain, Adishwar and Michael J. Pisani (2008), "Small and Microenterprise Business Development in Costa Rica: An Examination of Domestic and Foreign Born Entrepreneurs," Latin American Business Review, 9(2), 149-167.
- Kirzner, Israel M. (1973), Competition and Entrepreneurship, Chicago, IL: University of Chicago Press.
- McKenzie, David J. and Christopher Woodruff (2006), "Do Entry Costs Provide an Empirical Basis for Poverty Traps? Evidence from Mexican Microenterprises," Economic Development & Cultural Change, 55(1), 3-42.
- Mead, Donald C. and Carl Liedholm (1998), "The Dynamics of Micro and Small Enterprises in Developing Countries," World Development, 26(1), 61-74.
- Nichter, Simeon and Lara Goldmark (2009), "Small Firm Growth in Developing Countries," World Development, 37(9), 1453-1464.
- Pisani, Michael J. (2013), "Informal Entrepreneurship in Central America: A Labor of Love or Survival?" in Mai Thi Thanh Thai and Ekaterina Turkina (Eds.), Entrepreneurship in the Informal Economy: Models, Approaches and Perspectives for Economic Development, New York, NY: Routledge, pp. 127-142.
- Pisani, Michael J. and José A. Pagán, (2004), "Self-Employment in the Era of the New Economic Model in Latin America: A Case Study from Nicaragua," Entrepreneurship & Regional Development, 16(4) July, 335-350.
- Pisani, Michael J. and David W. Yoskowitz (2012), "A Study of Small Neighborhood *Tienditas* in Central America," Latin American Research Review, 47(4), 116-138.
- Pisani, Michael J. and J. Michael Patrick (2002), "A Conceptual Model and Propositions for Bolstering Entrepreneurship in the Informal Sector: The Case of Central America," Journal of Developmental Entrepreneurship, 7(1), 95-111.
- Prahalad, C.K. (2004). Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits, Upper Saddle River, NJ: Prentice Hall.
- Walker, Thomas W. and Christine J. Wade (2011), Nicaragua: Living in the Shadow of the Eagle, Boulder, CO: Westview Press.
- Williams, Colin C. (2007), "Entrepreneurs operating in the informal economy: necessity or opportunity driven?" Journal of Small Business and Entrepreneurship, 20(3), 309-20.
- Williams, Colin C. (2008), "Beyond necessity-driven versus opportunity-driven entrepreneurship: a study of informal entrepreneurs in England, Russia and Ukraine", Entrepreneurship and Innovation, 9(3), 157-65.
- World Bank (2013), "Nicaragua," <http://data.worldbank.org/country/nicaragua>, accessed on May 29, 2013.
- World Food Programme (2014), "Nicaragua," Accessed at: <http://www.wfp.org/countries/nicaragua> on February 11, 2014.
- Xavier, Siri R., Donna Kelley, Jacqui Kew, Mike Herrington, and Arne Vorderwülbecke (2012), "Global Entrepreneurship Monitor 2012 Global Report," available at: <http://www.gemconsortium.org/docs/download/2645>, accessed May 31, 2013.

APPENDICES

Table 1: *Pulpería* Demographics: Entrepreneurs and Employees

Variable	Entrepreneurs	Employees (paid and unpaid)
Gender (%)		
Female	85.1	65.8
Male	14.9	34.2
Region* (%)		
Segovias	11.1	10.7
Western	6.2	14.9
Managua	29.8	26.3
Southern	10.4	11.0
Central	6.8	4.9
Northern	11.7	16.7
Atlantic	12.8	15.4
Urban/Rural		
Urban	67.2	68.0
Rural	32.8	32.0
Mean Household Size (std. dev.)	4.8 (2.5)	5.5 (2.4)
Mean Age (std. dev.)	46.3 (15.4)	24.1 (16.0)
Literate (%)		
Yes	83.4	95.6
No	16.6	4.4
Education – Last School Attended (%)		
None	19.1	4.6
Primary	42.1	43.9
Secondary	26.2	40.9
Technical	3.5	1.2
University	9.1	0.2
Mean Education – Years (std. dev.)	6.0 (4.6)	7.1 (3.8)
Civil Status (%)		
Single	4.5	61.6
Married (includes unions)	65.1	27.6
Separated/Divorced	21.5	8.7
Widowed	8.9	2.1
Earned Income/Paid in the <i>Pulpería</i> (%)		
Yes	99.1	3.9
No	0.9	96.1
N=	470	609

*Region is grouped as Segovias = Estelí, Madriz, Nueva Segovia; Western: León, Chinandega; Managua; Southern: Granada, Masaya, Carazo, Rivas; Central: Boaco, Chontales; Northern: Jinotega, Matagalpa; Atlantic: Río San Juan, RAAN, RAAS.

Table 2: Pulpería Firm Characteristics – Entrepreneurs (as primary occupation)

Variable	Female	Male
<i>Work as a Pulpero Year Round?*</i> (%)		
Yes	83.8	94.3
No (seasonal/other)	16.3	5.7
<i>Earned Pulpería Income Over the Past Month?</i> (%)		
Yes	99.5	98.6
No	0.5	1.4
<i>Amount Earned in Pulpería – Monthly Profits (\$US)</i>		
Mean	85.17	156.23
Standard Deviation	85.38	311.39
<i>Hours Worked per Week</i>		
Mean	40.57	42.74
Standard Deviation	23.27	22.22
<i>Keep Bookkeeping Records?</i> (%)		
Yes	29.0	20.0
No	71.0	80.0
<i>Number of Employees (%)</i>		
0	27.8	22.9
1-4	71.8	75.7
5-8	0.5	1.4
<i>Enrolled in Social Security?</i> (%)		
Yes	0.0	0.0
No	100.0	100.0
<i>Do you wish to change jobs?</i> (%)		
Yes	31.5	41.4
No	68.5	58.6
<i>Rationale for those indicating they wish to change jobs:</i> (%)		
Increase income	94.4	89.7
Better use my skills	0.8	6.9
Other	4.8	3.4
<i>Have you looked for other work over the past 3 months?</i> (%)		
Yes	7.0	12.9
No	93.0	87.1
<i>Do you have a second job?</i> (%)		
Yes	30.2	31.4
No	69.8	68.6
<i>Hours Worked per Week in Second Job</i>		
Mean	11.01	15.77
Standard Deviation	7.43	10.67
N=	400	70

*Italics = significant difference at the .10 level.

Table 3: Multiple Regression Pulpería Hourly Profits

Variable	β	Standard Error	t statistic	Significance
----------	---------	----------------	-------------	--------------

Constant	1.891	.384	4.927	.000***
Gender (Female =1)	-.449	.132	-3.412	.001***
Region (Managua=1)	.291	.114	2.559	.011**
Location (Urban=1)	-.050	.112	-.451	.652
Household Size	-.007	.019	-.387	.699
Potential Experience (PE)	.009	.010	.904	.367
PE Squared/100	-.018	.013	-1.328	.185
Literacy (Yes=1)	.111	.155	.713	.476
Years of Education	.012	.015	.817	.414
Civil Status (Married=1)	.020	.104	.194	.847
Foreign Remittances (Yes=1)	.128	.212	.606	.545
Keep Business Records (Yes=1)	.241	.108	2.224	.027**
Have Employees (Yes=1)	.130	.112	1.158	.248
Wish to Change Jobs (Yes=1)	-.264	.101	-2.614	.009***
Have Second Job (Yes=1)	.011	.102	.112	.911
Hours Worked	-.016	.002	-7.327	.000***
Adjusted R ² = .119				
Model ANOVA: F= 4.916, df=15, p=.000***				

***, **, * represent statistical significance at the .001, .05, and .10 levels, respectively.

Table 4: Multiple Regression *Pulperia* Hourly Profits –Female Owners

A. Nicaragua – Inventory Growth per Year				
Variable	β	Standard Error	t statistic	Significance
Constant	1.005	.253	3.970	.000***
Region (Managua=1)	.262	.097	2.694	.007***
Location (Urban=1)	.107	.095	1.122	.263
Household Size	-.009	.016	-.600	.549
Potential Experience (PE)	.011	.009	1.197	.232
PE Squared/100	-.020	.012	-1.723	.086*
Literacy (Yes=1)	.071	.134	.531	.596
Years of Education	.004	.013	.289	.773
Civil Status (Married=1)	-.011	.088	-.125	.900
Foreign Remittances (Yes=1)	.139	.176	.790	.430
Keep Business Records (Yes=1)	.160	.092	1.740	.083*
Have Employees (Yes=1)	.142	.094	1.508	.132
Wish to Change Jobs (Yes=1)	-.227	.089	-2.566	.011**
Have Second Job (Yes=1)	-.049	.088	-.556	.579
Hours Worked	-.016	.002	-8.359	.000***
Adjusted R ² = .144				
Model ANOVA: F= 5.726, df=14, p=.000***				

***, **, * represent statistical significance at the .001, .05, and .10 levels, respectively.

Table 5: *Pulpero* Household Income (\$US)

Income Source	Female	Male	All
<i>Principal Occupation</i>			
<i>Monthly Mean Amount (std. dev.)</i>	85.17 (85.38)	156.23 (311.39)	95.67 (144.90)
			<i>F=14.552, p=.000</i>
<i>Hourly Mean Amount (std. dev.)</i>	0.67 (0.83)	1.06 (1.79)	0.73 (1.04)
			<i>F=9.093, p=.005</i>
<i>Secondary Occupation</i>			
<i>Monthly Mean Amount (std. dev.)</i>	10.87 (38.88)	13.97 (43.70)	10.87 (39.60)
			<i>F=0.494, p=.482</i>
<i>Hourly Mean Amount (std. dev.)</i>	0.25 (0.97)	0.13 (0.43)	0.24 (0.91)
			<i>F=1.023, p=.312</i>
<i>Transfer Income[^]</i>			
<i>Monthly Mean Amount (std. dev.)</i>	96.21 (97.18)	117.84 (59.80)	99.72 (92.18)
			<i>F=0.597, p=.442</i>
<i>Total Income</i>			
<i>Monthly Mean Amount (std. dev.)</i>	111.70 (114.57)	192.40 (313.88)	123.62 (162.42)
			<i>F=14.950, p=.000</i>
<i>Per Capita Household Income</i>			
<i>Monthly Mean Amount (std. dev.)</i>	32.02 (47.39)	60.00 (103.49)	36.15 (59.79)
			<i>F=13.214, p=.000</i>

*Italics = significant difference (ANOVA, comparison of means) for females and males at the .01 level.

[^]Note: 67 female households received transfer income, 13 male households received transfer income, and 80 total households received transfer income.

AUTHOR INFORMATION:

Michael J. Pisani is Professor of International Business and holds the Jerry and Felicia Campbell Endowed Professorship for Research within the College of Business at Central Michigan University located in Mt. Pleasant, Michigan, USA. Professor Pisani received his A.B. in Latin American history and international relations from the University of California, Davis, both his M.A in Latin American studies and M.B.A. in international management from the University of New Mexico, and his Ph.D. in international business from the University of Texas – Pan American. Dr. Pisani’s research interests include the intersection of international business and development, cross-border business/economic phenomena, (Latino) entrepreneurship and self-employment, sustainability, informality, microenterprise development, microfinance, regional economic integration, consumer ethnocentrism/animosity, currency substitution, political economy, and development studies. His geographic focus primarily concerns the Americas with special attention to the Texas-Mexico (and extended NAFTA) borderlands, South Texas, Central America, the Caribbean, and the US Midwest.

Education, Youth Empowerment and Entrepreneurship – Microfinance Innovations: The Case for Peru

Marcos Verdi, New York, USA

Christine Farias, New York, USA

Extended Abstract

A crucial step in fighting poverty is to recognize its impact on the people it affects. Poverty can be simply described as a general lack of resources. Poverty constrains access to education, health and nourishment, affecting the well-being and dignity of those it affects. Thus, in order to effectively assist poor people it is necessary to consider all of the different types of afflictions they suffer and work with them and for them in alleviating their poverty and enhancing their livelihoods. Human beings from virtually every nation both developed and developing suffer the consequences of being poor in different ways. Poverty alleviation is complex and the need for innovative models and programs to combat this complexity sustainably is becoming more and more urgent.

In the developing world, Peru is one of the countries in which the crudest face of poverty is visible. Despite the impressive economic growth that Peru has experienced over the last decade (GDP growth rate of 6.4% between 2002 and 2012 and an increase of more than 50% in Peru's per capita income during this decade¹⁹), a large portion of its population still lives in extreme poverty and under conditions that hinder human development. The national poverty rate fell from 48.5% in 2004 to 25.8% in 2012. However, the disparity in the poverty rates between rural and urban areas still remains very high: in 2011 the poverty rate was 18% in urban areas while it was 56.1% in rural areas²⁰. With a bureaucratic government and a centralized structure, most Peruvian regions are in urgent need of attention from governmental and/or non-governmental organizations that can help improve the lives of its citizens and communities.

Blue Sparrow is a non-profit organization currently working in different parts of Peru with a very unique and holistic business model. They partner with schools and communities in extremely poor rural and urban areas of Peru, more specifically in the areas located near the Andean City of Huancayo where the youth do not have access to a proper educational experience due to a lack of technology, financial resources or outdated teaching programs. They also work with urban schools and communities in Lima, focusing on empowering marginalized youth, promoting sustainable change and alleviating poverty through education, entrepreneurship and microbusiness²¹. Through a series of four programs which address the financial, psychological, educational, and occupational needs of poor people, this organization has been working with Peruvian disadvantaged youth and their families to assist them in lifting themselves out of poverty. Blue Sparrow's approach is highly personalized - they work with small communities adapting their programs to the unique and specific needs of the community at hand. The success

¹⁹ <http://www.worldbank.org/en/country/peru/overview>

²⁰ www.worldbank.org

²¹ www.bluesparrow.org

of this organization demonstrates the potential of a holistic and community centered approach to combat poverty in an effective and realistic way.

Blue Sparrow's Program:

The holistic model of Blue Sparrow includes four programs – each intended to address a specific need of the respective community.

Conectados: Under this program schools are provided with computer labs in order to enhance students' learning experience. Besides providing the computers, they also provide trainers who work alongside students and teachers to make sure they make full use of this educational tool and eventually become self-sustaining.

Microfinance: The idea for this program arose as a necessity to fund “*Conectados*”. Part of the funding had to come from students' families. However, many households did not have enough resources to contribute. As a result, Blue Sparrow saw an opportunity to provide microfinance services to help these families start or expand a small business and thus increase their household income. Some of these businesses include guinea pig breeding, vegetable planting, amongst others.

Hectaremax: This program attempts to help farming families improve their efficiency by providing them with better tools and teaching them better techniques to work their land. It arose mainly as an attempt to shorten the large number of hours that children of farming families spent working the land which took away from their studying and leisure time. Needless to say, less hours of work also benefit the other members of the family who can spend more time on other productive activities.

Wellness: Even when the financial condition of poor families may improve, there are other factors that may still prevent them from enjoying a better life. Based on this principle, Blue Sparrow decided to create a project that could address specific issues that are common in certain communities. For instance, in the Andean communities where Blue Sparrow is established, they are providing families with low-cost, highly efficient heating systems that are vital to survive the low temperatures of some parts of Peru. Blue Sparrow is aware that these types of necessities will vary from region to region and that is why they are constantly developing new projects to meet these unique needs. This program is an attempt to give completeness to their work by working with communities at a personal level as well.

Nevertheless, given that Blue Sparrow has been working only with small communities so far and have been successful in empowering these communities through their holistic programs of education, microfinance, health and wellness, and farming techniques there is an urgent need to scale up in order to reduce extreme poverty in other Peruvian communities. It is necessary to ask and determine whether the Blue Sparrow model of youth and family empowerment is applicable to larger disadvantaged populations such as those found in inner-city neighborhoods and slums as well as other parts of rural Peru and explore the implications of such expansion in reducing poverty and income inequality without compromising on the mission of the organization.

Social entrepreneurs like Blue Sparrow have demonstrated the potential to address poverty, youth empowerment, education and microbusiness on a small scale. Their success has been due to their ability to provide personalized attention and a high level of interaction with the

people they serve. The ability to scale up without compromising on the quality of this interaction is a key factor in determining the success of replicating this model. For example, the success of providing education in computer technology and support to schools in rural areas of Peru, would depend on the level of contact by local staff and the local partner groups in maintaining quality and standards. Scaling up by the traditional means has the potential to dilute this contact, diluting a critical aspect of a social entrepreneurial effort. Besides, to scale up with the four programs in a holistic manner would require large investments and would necessitate government involvement to achieve economies of scale so that the services being provided can be made available to the poor at an affordable price.

The literature on scaling up social entrepreneurship draws on traditional business entrepreneurship which may not be appropriate in all cases especially since social entrepreneurship requires high contact and individualized solutions. A critical aspect of microfinance and youth empowerment through education and entrepreneurship requires close relationship with the field staff, peer groups and loan recipients to be successful. Standardization would limit the uniqueness and responsiveness of field staff to each situation²². Moreover, commitment and values of the field staff are important ingredients for successful implementation of the holistic approach to community development. Scaling up therefore becomes complex and complicated and may or may not achieve the goals intended, which are to significantly reduce poverty and enhance human development.

Our paper discusses the interdependence of education, entrepreneurship and microfinance focusing on the success of Blue Sparrow's programs in Peru which are aimed at alleviating poverty and empowering youth and families in the communities served. In addition, the paper will also explore the critical issue of scale so that more of Peru's poor can benefit from the Blue Sparrow model.

Marcos Verdi is a Baruch College alumnus who graduated with a Bachelors in Business Administration in Economics from the Zicklin School of Business. He is currently a graduate student at the Polytechnic Institute of New York University.

Christine Farias is a Lecturer in the Bert W Wasserman Department of Economics and Finance, Zicklin School of Business, Baruch College, City University of New York.

²² Christine Farias and Gerard Farias. "Social Entrepreneurship and Issues of Scale." *Proceedings of the New York State Economics Association*. vol. 5, September 2012, p. 59-64.

TITULO: PROGRAMA PLAN PADRINOS®

Gustavo A. Yepes López²³

Carlos José Belo Pérez²⁴

“Es por ello que la pobreza del pobre no es un llamado a una acción generosa que la alivie, sino a la exigencia de construcción de un orden social distinto”

Gustavo Gutiérrez Merino

Resumen

El presente documento presenta los fundamentos, antecedentes, descripción y resultados del programa de fortalecimiento empresarial “Plan Padrinos®”. Concebido en el año 2000 y que hasta el segundo semestre del año 2013 ha beneficiado a 1.119 micros pequeñas y medianas empresas, demostrando ser una estrategia efectiva para combatir la pobreza desde la perspectiva del desarrollo de capacidades.

Introducción

La creciente necesidad de los países con mercados emergentes (FTSE, 2009) de crecer económicamente les impone el reto de competir en entornos regionales e internacionales, buscando el reconocimiento y posicionamiento de sus empresas en el mercado mundial. Éste desafío no solo implica revisar y ajustar las políticas y programas estatales de fomento empresarial que promuevan la competitividad del país, sino que requiere de estrategias para promover un crecimiento incluyente y respetuoso con el medio ambiente y que evite a toda costa la proliferación de la pobreza entre una buena parte de la población y el arraigo de la pobreza entre las comunidades históricamente desfavorecidas.

²³ Administrador de Empresas de la Pontificia Universidad Javeriana, Magister en Administración de Empresas de la Universidad Externado de Colombia, candidato al título de Doctor en Ciencias Empresariales de la Universidad Antonio de Nebrija. Actualmente se desempeña como Director de Gestión y Responsabilidad Social de la Facultad de Administración de Empresas de la Universidad Externado de Colombia, donde también dirige el grupo de Investigación de Gerencia y Responsabilidad Social y el Programa de Fortalecimiento Empresarial Primeros Pasos en RSE.

²⁴ Ingeniero industrial Universidad América, Especialización en Evaluación y Gestión Curricular, adelanto Master en Gestión de la Calidad European Quality Formation Online, actualmente docente investigador Universidad Externado de Colombia, en programas de pregrado, posgrado y Maestría Facilitador Programa Plan padrinos desde 1998 hasta la fecha, Consultor y Asesor empresarial área de Estrategia, Procesos y Costos.

Teniendo clara la importancia del empoderamiento productivo y la autonomía económica de la misma población para luchar contra el fenómeno de la pobreza (PORTER, 1995) y conscientes de la importancia estratégica que tiene el sector mipyme para el desarrollo incluyente de un país, desde el segundo semestre del año 2000 se lanza el programa de fortalecimiento empresarial para empresas mipymes denominado Programa Plan Padrinos®.

El Programa Plan Padrinos® tiene como propósito contribuir al desarrollo de capacidades de la población de Bogotá, mediante el fortalecimiento de pequeñas unidades productivas, para que en el marco de una economía de mercado, puedan desarrollar las capacidades necesarias para competir en ese mercado que cada vez es más global y competitivo.

Hasta el segundo semestre del 2013, el Programa Plan Padrinos® ha logrado beneficiar a más de 1.119 micros, pequeñas y medianas empresas, con la implementación de mejores prácticas empresariales y la generación de cambios en los hábitos gerenciales, permitiendo con esta alianza interinstitucional, que sean los propios actores los que propendan por su productividad y prosperidad aportando al desarrollo del país mediante la generación de empleo, impuesto, divisas y mejores bienes y servicios.

Los resultados tangibles del programa que se presenta en este informe, son el resultado de un estudio de impacto realizado en el 2011 para el periodo comprendido entre el I semestre del 2002 y el II semestre del 2009, que contó con una muestra representativa de 399 empresas participantes.

Con este documento se pretende postular la experiencia del Programa Plan Padrinos®, para la conferencia del Anti-poverty Working Group a realizarse en Nicaragua, en el mes de julio del 2014, como un ejemplo de lucha contra la pobreza con base en los aprendizajes y resultados de más de 13 años de esfuerzos y sinergias con diferentes instituciones tanto públicas como privadas del país.

1. LA PROBLEMÁTICA DE LA POBREZA Y EL DESARROLLO DE LAS MIPYMES

Para Amartya Sen, la pobreza se entiende como “la ausencia de las capacidades básicas que le permitan a cualquier individuo insertarse en la sociedad, a través del ejercicio de su voluntad” (SEN, 1995). Sin embargo para esta se puede ver desde tres diferentes perspectivas.

La primera que se refiere a la presencia de “Necesidades Básicas Insatisfechas - NBI”, (vivienda, servicios sanitarios, educación y capacidad económica), la segunda que se da en función de la exclusión de los derechos que viene dada por la insuficiencia de ingresos para alcanzar el umbral de supervivencia o línea de indigencia y la tercera como falta de capacidades que imposibilita a las comunidades pobres a participar de los beneficios sociales. (MUNIZ, E. 2010)

A pesar de los grandes esfuerzos que se vienen realizando por los gobiernos locales de muchos países del mundo para abordar los problemas de la pobreza, mediante la realización de estudios

de caracterización y línea de base, construcción de infraestructura y programas para aprovisionamiento de agua potable, saneamiento básico, vivienda, educación, capacitación para el empleo y hasta de la generación de programas de emprendimiento, los resultados palidecen frente a la situación de exclusión que sigue enfrentando la población. (RACZYNSKI, 1995)

Y aunque en América Latina específicamente, según la Comisión Económica para América Latina y el Caribe – CEPAL la situación de pobreza en la región presenta una tendencia a la baja²⁵, indicadores como el Gini que advierten que América Latina es la región más desigual del mundo; cinco de los diez países más desiguales del mundo se encuentran en la región y en promedio en 18 países el 10% más rico de la población recibe 32% de los ingresos totales, mientras que el 40% más pobre recibe solo 15%, poniendo de manifiesto que la lucha contra la pobreza no solo es un reto importante para superar en la región, sino que requiere de mayores esfuerzos para revertir este fenómeno (CEPAL, 2012).

Para Amartya Sen, aunque íntimamente relacionadas, la pobreza va más allá que la falta de renta que le impide a un grupo poblacional cubrir sus necesidades básicas, sino que se relaciona con la privación de las capacidades que le permiten a una persona participar de la vida en comunidad, entre las que se encuentran el mejoramiento de las capacidades humanas para aumento de la productividad y del poder para obtener ingresos. (SEN, 2000)

En una era globalizada donde el triunfo del mercado y el capital es evidente, se hace necesario realizar esfuerzos para buscar el equilibrio, no con el ofrecimiento de paliativos, regalos o dadas que pueden hacer dependientes a las comunidades, sino con instrumentos que les brinden las condiciones necesarias para competir por si mismos (PORTER, 1995), para que estas comunidades desarrollen sus propias capacidades y puedan enfrentarse a estas nuevas realidades que las vienen excluyendo de su activa participación en la vida social del país y en muchas ocasiones condenándolos a situaciones históricas de pobreza.

Según la CEPAL el incremento de la pobreza en Colombia entre 1995 y 2000 se ha debido totalmente al incremento en el desempleo, “el mayor nivel de pobreza aparece relacionado positivamente con los incrementos en el desempleo y la inflación, y con la mayor regresividad en la distribución del ingreso; incrementos en la tasa de cambio real y en el salario mínimo real disminuyen la pobreza” (NUÑEZ, J. RAMÍREZ, J. 2002)

Por tanto se hace necesario abordar esta problemática desde el desarrollo de las capacidades de la población, ofreciendo entonces a los propietarios y administradores de las más pequeñas unidades productivas el conocimiento y las herramientas necesarias para competir con mejores condiciones en una economía de mercado.

En el mundo, el sector de las micro, pequeñas y medianas empresas es de gran importancia, genera entre el 35 al 45% del empleo y entre el 18 al 37% del producto interno bruto - PIB, y en algunos países que logran su inserción en mercados mundiales entre el 9% y el 25% de las (SNIJDERS, 2003) (EC, 2009). Dada su contribución a la generación de empleo y participación en la generación del producto interno bruto de los diferentes países, las MiPymes día a día cobran mayor relevancia en el ámbito mundial (ESSER, 1996) y se vuelve un sector estratégico para abordar el problema de la pobreza.

²⁵ Para el 2012 de 167 millones de personas en situación de pobreza (28,8% de los habitantes), un millón menos que en el 2011

Para el caso colombiano en particular, pese a que las mipymes constituyen cerca del 98,7% de las empresas legalmente constituidas (VILLAMIL, 2004), aún no han alcanzado un nivel de desarrollo significativo y su tasa de mortalidad es muy alta, razón por la cual un programa de fortalecimiento en gestión empresarial se muestra como alternativa para contribuir a disminuir los niveles de inequidad en el país.

Esta problemática es entonces el punto de partida para el diseño e implementación del programa de fortalecimiento empresarial para mipymes denominado Plan Padrinos®.

2. LOS ANTECEDENTES DEL PROGRAMA

Como respuesta a la necesidad de una formación más pertinente y el desarrollo de capacidades entre la población, en junio de 1998 se pone a prueba un ejercicio piloto de práctica empresarial en el programa de Maestría en Administración de Empresas de la Facultad de Administración de Empresas de la Universidad Externado de Colombia, en donde los estudiantes próximos a terminar ponían en práctica los conocimientos adquiridos a través del plan de estudios al servicio de una micro, pequeña o mediana empresa, permitiéndole de esta manera desarrollar ejercicios de consultoría que los aproximasen a la realidad de las empresas colombianas.

Los excelentes resultados para ambas partes (estudiantes y empresarios), permitieron que en el primer semestre del año 2000 este ejercicio se convirtiera en el soporte y eje central de un programa de apoyo empresarial promovido por la Asociación Colombiana de las Micro, Pequeñas y Medianas Empresas – ACOPI y diseñado especialmente para el desarrollo de las empresas afiliadas al gremio, mediante una estrategia de interacción universidad – empresa, y en donde los estudiantes de una materia del programa de Pregrado en Administración de Empresas participaran como asistentes de experimentados consultores.

Con la intención de fortalecer el equipo de profesores, mejorar el desempeño del programa como agente de cambio y desarrollar sus propias metodologías, a mediados del 2001 se realiza un convenio de cooperación con la alianza entre la organización de origen Suizo, Fundación para el Desarrollo Sostenible – FUNDES y la universidad Mexicana Tecnológico de Monterrey para operar en Colombia el programa Crisol Pyme.

Con metodologías más estructuradas y superados algunos de los conflictos con el área administrativa que generaba el nuevo ambiente de formación y con el fin de mejorar la convocatoria, la Facultad asumió totalmente los costos de operación del programa, (sin costo alguno para el empresario) e invito a diferentes instituciones como el Grupo Bolívar²⁶, y luego a Bancoldex²⁷ a convocar a las empresas pyme que visitaban sus consultorios empresariales. En el

²⁶ El Grupo Bolívar es un conglomerado empresarial que cuenta con 26 empresas, 12.000 empleados y una facturación cercana a los \$5 billones anuales y reconocidas marcas como Davivienda, Seguros Bolívar y la Constructora Bolívar.

²⁷ El Banco de Comercio Exterior de Colombia S.A. – Bancoldex, entidad gubernamental vinculada al Ministerio de Comercio, Industria y Turismo, que opera en Colombia como banco de segundo piso y que se ocupa del desarrollo del sector empresarial y promotor del comercio exterior del país

2005 el nombre Programa Plan Padrinos® es registrado como marca ante las autoridades comerciales de Colombia e inicia formalmente sus actividades en conjunto.

Los resultados de esta iniciativa dependen de un importante esfuerzo económico por parte del Facultad y de sus socio estratégicos como el Grupo Bolívar y Bancoldex, ya que más allá de los recursos necesarios para un clase tradicional, el programa requiere de personal para su permanente actualización y mejora, para las actividades de coordinación de las instituciones asociadas, las labores de aseguramiento de calidad y seguimiento, las de convocatoria y selección de empresarios, los docentes para el entrenamiento y seguimiento a los consultores junior y empresarios, además de recursos como salones, medios audiovisuales, refrigerios, diplomas, etc.

El grupo Bolívar y Bancoldex como socios estratégicos aportan el personal para las convocatorias, participa con la consecución de salones y medios audiovisuales para las presentaciones y eventos de socialización, además de encargarse de las atenciones que se les hacen a los consultores junior y empresarios.

Vale la pena destacar que la financiación a cargo de la Facultad hace parte del compromiso institucional con el desarrollo empresarial del país, y enmarcada en la estrategia de responsabilidad social universitaria de la Facultad, que busca el mejoramiento social articulándolo a resultados concretos para la organización. (YEPES, 2006)

Este apoyo al sector mipyme por parte del programa se puede estimar en aproximadamente 2.500 dólares por empresa, pero esta cifra más allá de ser considerada un gasto, se calcula como una inversión ya que trae consigo beneficios para la Facultad tales como el mejoramiento de la calidad y pertinencia de la formación impartida en los programas de pregrado y maestría en administración de empresas, la validación de algunos de los procesos de investigación y el fortalecimiento del profesorado, así como la realización de diversos proyectos con diferentes instituciones públicas y privadas, como alcaldías locales, entidades financieras, entre otras, donde el monto de las contrataciones supera los 1.150.000 dólares en los últimos años, cubriendo casi la totalidad del territorio nacional (31 ciudades) y atendiendo a más de 10.000 empresarios de los diferentes sectores económicos.

Estos hechos que permiten inferir que a pesar de los altos costos que este tipo de programas implica, se abren nuevas posibilidades de apoyo a los sectores empresariales menos favorecidos, generado beneficios directos para la Facultad en especial en el fortalecimiento de su proyección social.

3. DESCRIPCION DEL PROGRAMA PLAN PADRINOS®

El Programa Plan Padrinos® surge como respuesta a la problemática de las mipymes identificadas por los grupos de investigación en Pequeñas y Medias Empresas, Empresas de Familia, Gerencia y Responsabilidad Social de la Facultad y se soporta en el desarrollo de metodologías de fortalecimiento empresarial generadas por los estos mismo grupos.

Para la Facultad el programa Plan Padrinos® es entendido como un ejercicio de “consultoría integral asistida”, que facilita las actividades de mejoramiento empresarial entre las que se encuentran un diagnóstico inicial, el diseño de planes de acción a corto, mediano y largo plazo, el seguimiento en la implementación, en el marco de un proceso que se realiza en un lapso de 3 meses, tiempo que dura el la intervención.

El programa busca dentro en el marco del desarrollo de capacidades (SEN, 2000) afianzar el mejoramiento empresarial, a partir de un proceso que permite el desarrollo del pensamiento sistémico, mejoras en la forma de gerencia y gestión en las áreas funcionales de la organización, vinculando la teoría con la práctica de los estudiantes y promoviendo crecimiento y sostenibilidad para las mipymes Colombianas.

El modelo está diseñado para que los empresarios inicialmente conozcan su realidad a partir de un diagnóstico base que evalúa las áreas funcionales (gerencia, recursos humanos, mercadeo, operaciones, finanzas), cuenten con el acompañamiento de un equipo de consultores, quienes apoyan el análisis de la situación y la problemática y buscan la implementen acciones de mejora creativas e innovadoras y teniendo en cuenta los limitados recursos con los que este tipo de empresas cuenta.

Entre los objetivos del programa, además del mejoramiento de la capacidad de gestión de las mipymes para la sociedad, está el desarrollo de nuevos proyectos, metodologías y líneas de investigación para la Facultad, los cuales se dan a partir de los hallazgos encontrados, además, el programa contribuye a mejorar la calidad de la educación que obtienen los estudiantes y los conocimientos y experiencias adquiridas en el programa los hace más competitivos laboralmente.

Entre los participantes encontramos estudiantes de los programas de Pregrado y Maestría en Administración de Empresas de la Facultad, que asumen el rol de consultor junior, profesores expertos en mipymes de las líneas de investigación en Pymes, Empresas de Familia, Estrategia, Finanzas, Gerencia y Responsabilidad Social que asumen el rol de consultor senior, empresarios, gerentes o representantes legales de empresas mipymes, funcionarios de Grupo Bolívar y Bancoldex y personal administrativo de la Facultad de Administración de Empresas.

FASES DEL PROGRAMA

Fase I: Convocatoria de Empresas y Entrenamiento Consultores Junior

En esta fase del proceso el equipo administrador del Programa Plan Padrinos® constituido por personal de la Facultad, Grupo Bolívar y Bancoldex, realiza actividades de promoción, información y selección del grupo de empresarios participantes, garantizando un perfil de entrada y el compromiso de asistencia e integración de trabajo con el consultor durante el proceso de intervención.

Paralelo a esta selección, los estudiantes participantes inician un proceso de reconocimiento e interiorización de las características, problemática, importancia y perspectivas del sector mipyme en Colombia, apoyado en los resultados de las investigaciones de las Facultad. Adicionalmente,

se da la formación básica en conceptos de consultoría, metodología, las herramientas utilizadas en el programa y se brinda el entrenamiento necesario por parte del consultor sénior para que puedan desempeñar adecuadamente su papel.

Fase II: Integración Empresarios- Consultores Junior

En esta fase, se reúnen empresarios y estudiantes con la coordinación del consultor sénior en las aulas de la Universidad para dar inicio a la consultoría. El vínculo empresario - estudiante se da a partir de actividades de integración que permitan la generación de confianza entre empresarios y estudiantes conformando así los equipos de trabajo.

Fase III: Diagnóstico

En esta fase se busca valorar la gestión gerencial en la empresa, e identificar la situación de la misma, para lo cual se utilizan los dos instrumentos de trabajo siguientes:

1. Herramienta de Diagnostico que permite a través de un aplicativo evaluar por áreas funcionales la situación actual de las empresas, a partir de una doble perspectiva, del consultor junior y del empresario. Los resultados se ilustran a través de un gráfico llamado al interior del programa “diamante de competitividad”

Para interpretar la información del diagnóstico, se establecieron rangos de valoración de cada una de las áreas funcionales que permiten definir cuales cambios se deben realizar para mejorar las condiciones iniciales.

2. Guía de Entrevista (KURB, 1999) esta herramienta esta soportada en una serie de preguntas que permiten el levantamiento de información y valoración de cada una de las áreas funcionales, estableciendo a partir de la reunión en la empresa el DOFA de cada área (BELTRÁN, 2004). Los resultados de esta fase son presentados para ser validados en un informe por los consultores junior y empresarios al consultor sénior.

Fase IV: Talleres Empresariales y Planes de Mejoramiento

En esta fase del proceso se llevan a cabo sesiones de trabajo dirigidas por el consultor sénior, donde además de ofrecer los conocimientos básicos administrativos a los empresarios, se busca que en cada taller se realicen actividades y propuestas de mejoramiento de la situación actual, con objetivos en el inmediato, corto y mediano plazo.

Fase V: Informe de Resultados

En una sesión donde participan los empresarios, los consultores junior y los consultores senior, se presentan las acciones implementadas y los planes de acción definidos para la empresa. Los asistentes comentan los esfuerzos y los resultados. Los estudiantes obtienen en esa sesión su calificación final.

Fase VI: Seguimiento y Evaluación

Una vez finalizado el proceso de consultoría, se establece contacto con los empresarios a través de una unidad, llamada consultorio empresarial, la cual está ubicada en las instalaciones del Grupo Bolívar y de Bancoldex, en donde un estudiante en práctica de la Facultad, hace

seguimiento a los planes de acción establecidos a corto, mediano y largo plazo, aquí también se realizan las evaluaciones de impacto y se prestan servicios de asesoría gratuita con apoyo de los consultores senior.

4. LOS RESULTADOS DEL PROGRAMA

4.1 PROPUESTA METODOLÓGICA

En el 2011 se toma la decisión de realizar un estudio de impacto del programa Plan Padrinos®, el cual tuvo como punto de partida una muestra de las empresas participantes entre los periodos (I semestre del 2002 hasta el II semestre del 2009), periodo durante el cual se contó con la participación de 537 empresas.

La información con la que se contó tenía tres fuentes de datos fundamentales. 1. Información general de la empresa. 2. Ficha de diagnóstico realizada. 3. Planes de acción de propuestas de mejora.

4.2 MARCO METODOLÓGICO

El estudio de impacto fue de tipo descriptivo, empleando información primaria, según las bases de datos de las empresas participantes en el Programa Plan Padrino periodos I semestre del 2002 hasta el II semestre del 2009.

4.2.1 POBLACIÓN

Dadas las condiciones de la población se utilizó el Muestreo sistemático de elementos, con el fin de tener una buena cobertura de la población. De las 537 empresas participantes durante el periodo seleccionado, se escogió una fracción de muestreo bastante amplia que representa, el 74% de la población participante. Se tomó como objetivo de la recolección de la información la proporción (P) de la percepción que tenían los participantes sobre si este tipo de estrategias redundan en el fortalecimiento empresarial.

Error máximo permitido (ϵ): Se considera que las estimaciones obtenidas acerca del objetivo, máximo se alejaran de la proporción verdadera en un 3% con una confianza del 95% (Valor de la distribución de probabilidad Normal $Z=1.96$).

Dado que no se tienen estimaciones acerca de la proporción verdadera de nuestro objetivo de recolección de información, se asume un valor de $P=0.5$

$$n = \frac{Nz_{1-\alpha/2}^2 pq}{(N-1)\epsilon^2 + z_{1-\alpha/2}^2 pq}$$

Donde después de reemplazar los valores respectivos nos arroja un tamaño de muestra de 358 participantes, se considero un error de no respuesta del 12%, que cubria recolección de

información mal diligenciada, la imposibilidad del participante a responder en el momento requerido, etc. Lo cual dio como tamaño de muestra definitivo 399 participantes.

4.2.2 RECOLECCION DE LA INFORMACIÓN

La información para la investigación se obtuvo a través formatos de recolección diseñados para generar archivos entregados a los consultores junior que contienen la siguiente información.

- Formatos generalmente denominados pro-competitividad, los cuales contienen la información de diagnóstico de cada empresa con las calificaciones de los consultores junior a las diferentes áreas, sub áreas y calificación de los empresarios a cada área.
- Formatos los cuales describen información cualitativa de la empresa, así como la indicación de las áreas susceptibles de mejora.
- Formatos los cuales muestran presentación de la empresa y presentación del mapa de competitividad

4.2.3 PROCESAMIENTO DE LA INFORMACION

La técnica a utilizar será la consolidación y análisis del contenido de la información de los trabajos de consultoría realizado por los estudiantes del programa desarrollando para ello los siguientes pasos:

- Diseño de base de datos para consolidación de las fichas de diagnóstico, teniendo en cuenta las variables que estructuran la encuesta de diagnóstico empresarial, que permitirá consolidar la información de cada una de las variables de las diferentes áreas, así como las calificaciones de los consultores y empresarios.
- Esta base de datos permitirá consolidar los resultados de la totalidad de las empresas, generando información del sector, área de calificación de mayor debilidad, áreas de desarrollo en la empresa

4.2.4 DEPURACION DE LA INFORMACION

Como criterios de control al proceso de depuración de la Información se realizaron los siguientes procesos:

- Los valores presentes en la información deberán estar entre 1 y 4. Cualquier valor fuera de este rango deberá ser revisado.
- La información consolidada de las fichas de diagnóstico deberán ser consistentes con la información descriptiva de los informes o presentaciones de las empresas.

4.2.5 ANÁLISIS DE LA INFORMACION

Una vez tabulada la información se podrán emplear los siguientes mecanismos para el análisis buscando tendencias o patrones en la caracterización de las empresas:

ANÁLISIS DE PARETO: A través de esta herramienta se buscará determinar la frecuencia (PANDE. NEUMAN. CAVANAGH, 2004) de las debilidades de las empresas, la composición de las mismas por tipo de sector que han participado en el programa Plan Padrinos®.

GRAFICOS DE TENDENCIA: Se busca determinar tipo de tendencia frente a la caracterización de las empresas, por áreas.

4.2.6 ANÁLISIS DE RESULTADOS

Para las 399 empresas analizadas se procedió a hacer un análisis de las mismas en términos de sector al que pertenecen; posterior a este análisis se realizó la revisión global consolidada de las diferentes variables según la estructura de la ficha de diagnóstico empleada en el proceso de consultoría; en donde se determinan las principales tendencias en cada una de las áreas (Estratégica, Mercadeo y Ventas Producción y Servicios, Medio Ambiente y Empresa, Comercio Exterior, Finanzas, Recursos Humanos, Marco Legal y Vinculación Familiar).

El estudio cualitativo de carácter descriptivo y explicativo, con información suministrada por la herramienta de diagnóstico, permitió consolidar las siguientes tablas:

Consultores Junior participantes

Periodo de tiempo	Numero de empresas	Numero de estudiantes
2002/1	9	14
2002/2	7	16
2003/1	15	20
2003/2	9	21
2004/1	40	56
2004/2	29	40
2005/1	58	64
2005/2	31	34
2006/1	16	30
2006/2	14	26
2007/1	28	46
2007/2	18	38
2008/1	24	44
2008/2	25	42
2009/1	34	56
2009/2	42	65
	399	612

Empresas participantes

ÁREAS DE ACTIVIDAD	# DE EMPRESAS	PORCENTAJE
SERVICIOS VARIOS	93	23%
MANUFACTURA VARIAS	116	29%
INMOBILIARIAS	41	10%
CONFECCIONES	37	9%
COMERCIAL	38	10%
SEGUROS	7	2%
DISEÑO PUBLICITARIO	13	3%
ASESORIAS VARIAS	20	5%
RESTAURANTE	8	2%
COLEGIOS	7	2%
TRANSPORTE	6	2%
IMPORTADORAS	5	1%
TURISMO	2	1%
CONSULTORÍA	6	2%
	399	

La mayor intervención se ha concentrado en empresas de servicio (lavanderías, centros clínicos, colegios, etc.), de manufactura (calzado. muebles, metalmecánica, artes gráficas, etc.), y en menor grado de comercio y otros servicios.

Con la información resultante del diagnóstico de cada una de las áreas se elaboró la siguiente tabla que permite apreciar el nivel de desarrollo de cada una.

ÁREA	VALORACION CUANTITATIVA Y PORCENTUAL					TOTAL
	<=1	<=2	<=3	>3	=4	
ESTRATEGICA	0,00	29	211	158	1	399
	0,0%	7,3%	52,9%	39,6%	0,3%	1
MERCADERO Y VENTAS	0	17	263	116	3	399
	0,0%	4,3%	65,9%	29,1%	0,8%	1
Producción Y SERVICIOS	1	87	262	46	3	399
	0,3%	21,8%	65,7%	11,5%	0,8%	1
MEDIO AMBIENTE Y EMPRESA	34	136	149	74	6	399
	8,5%	34,1%	37,3%	18,5%	1,5%	1
COMERCIO EXTERIOR	94	147	113	43	2	399
	23,6%	36,8%	28,3%	10,8%	0,5%	1
FINANZAS	30	99	169	98	3	399
	7,5%	24,8%	42,4%	24,6%	0,8%	1
RECURSOS HUMANOS	6	97	190	103	3	399
	1,5%	24,3%	47,6%	25,8%	0,8%	1
MARCO LEGAL	3	41	137	189	29	399
	0,8%	10,3%	34,3%	47,4%	7,3%	1
VINCULACIÓN FAMILIAR	81	85	119	89	25	399
	20,3%	21,3%	29,8%	22,3%	6,3%	1

Fuente: elaboración propia

La información obtenida en esta tabla nos permite establecer que la mayoría de las empresas se ubican en mayor porcentaje entre los rangos <=2 a <=3, lo que evidencia un trabajo con la elaboración de planes de acción de mejoramiento en las respectivas áreas.

Con estos datos se puede establecer que las áreas de mejor comportamiento es mercadeo y ventas y producción o servicios, las de menor desarrollo son medio ambiente y vinculación familiar, las áreas dirección estratégica y finanzas tiene valores de concentración media, generalmente producto del hacer diario y de la contratación de la contabilidad en forma externa. Por lo general el área de marco legal es la de mayor valoración, teniendo en cuenta que las empresas se encuentran formalizadas y cumplen con las normativas legales, tributarias y contables.

Los planes de acción propuestos y realizados durante el proceso de consultoría están relacionados con el nivel de desarrollado observado, de esta forma se plantearon por cada área 4 planes de acción macros que permiten establecer que mejoras se lograron

REALIZADAS		MEJORAS REALIZADAS A TRAVÉS DE PLANES DE ACCIÓN PUNTUALES POR ÁREA															
ESTRATEGIA	PORCENTAJE	MERCADO VENTAS	PORCENTAJE	PRODUCCIÓN Y SERVICIOS	PORCENTAJE	MEDIO AMBIENTE	PORCENTAJE	COMERCIO EXTERIOR	PORCENTAJE	FINANZAS	PORCENTAJE	RECURSOS HUMANOS	PORCENTAJE	MARCO LEGAL	PORCENTAJE	VINCULACION FAMILIAR	PORCENTAJE
CONSTRUCCION DE Misión Y VISIÓN	7%	DETERMINACIÓN DEL SEGMENTO OBJETIVO	3%	CONSTRUCCION DE LA CADENA DE VALOR	19%	Revisión DE NORMAS AMBIENTALES	43%	Revisión INSTITUCIONES Y PROGRAMAS DE EXPORTACION	59%	ELABORACION DE PRESUPUESTO GENERAL	32%	ELABORACION DE PROCESOS DE VINCULACION	24%	Revisión DE DOCUMENTACIÓN PARA REGISTRO DE	11%	DEFINICION DE PROCESOS DE VINCULACION FAMILIAR	31%
DISEÑO DE Políticas Y VALORES CORPORATIVOS	60%	DEFINICION DE ATRIBUTOS DE PRODUCTOS Y SERVICIOS	69%	DEFINICION DE LOS PROCESOS PRODUCTIVOS	87%	APLICACIÓN DE CONCEPTOS DE AHORRO ENERGETICO	79%	Evaluación DE LA ESTRUCTURA INTERNA PARA EXPORTACION	88%	ELABORACION DE FLUJO DE CAJA	75%	DISEÑO DE PROGRAMA DE INDUCCION	71%	DOCUMENTACIÓN PARA LEGALIZACION DE EMPRESA	39%	CONOCIMIENTO DE LA EMPRESA Y OBJETIVOS CORPORATIVOS POR EL FRUPO FAMILIAR	65%
CONSTRUCCION DE OBJETIVO CORPORATIVO	40%	ELABORACION PLAN DE MARKETING	30%	DETERMINACIÓN DE LOS TIEMPOS DE OPERACIÓN O PRODUCCIÓN	12%	MANEJO DE RECICLADOS Y RECUPERADOS	20%	Evaluación DE PRODUCTOS Y SERVICIOS PARA EXPORTAR	11%	CONSTRUCCION DE BALANCES E INDICADORES BASE DE ANÁLISIS	25%	DISEÑO DE PROGRAMAS DE Capacitación	27%	VERIFICACION DE REGISTRO DE NOMBRE Y MARCA	55%	PROYECTO DE VIDA ALINEADO AL DESARROLLO DE LA EMPRESA	29%
DISEÑO DE ESTRATEGIAS CORPORATIVAS	0,25%	ESTRUCTURACION (Gestión DE VENTAS)	2%	MEJORAMIENTO	2%	PROGRAMAS DE MANEJO AMBIENTAL	3%	Evaluación DE LA LOGISTICA DE PROCESOS DE EXPORTACION	2%	DEFINICION DE ESTRUCTURA DE COSTOS	2%	DISEÑO DE PROGRAMA DE Evaluación DE COMPETENCIAS	2%	REGISTRO DE NOMBRE Y MARCA	15%	ELABORACION DE PROTOCOLO FAMILIAR	11%

Fuente: elaboración propia

4.3.LOS RESULTADOS

La mayoría de cambios realizados se han enmarcado en un contexto que obedece al objetivo de articular de manera armónica los conocimientos de la academia y la realidad empresarial.

De esta manera se pueden identificar tres (3) tipos de resultados, el primero resultado a evaluar es el del desempeño del programa, el cual se valora mediante la identificación de la percepción de los participantes. El segundo resultado a evaluar es el cambio y mejoramiento empresarial que se mide mediante los porcentajes de implementación efectiva de las prácticas propuestas en los planes de acción realizados por las empresas. Finalmente se evalúa el impacto del programa mediante el seguimiento a los estados financieros en el siguiente semestre académico a una muestra las empresas participantes, entre los cuales se pueden resaltar los siguientes:

4.3.1. RESULTADOS DEL PROGRAMA:

- Cambio mental en la concepción empresarial de los gerentes. Se hace énfasis en el 100% de los empresarios participantes para que su visión empresarial se vuelva más integral y tenga un enfoque estratégico.
- Oportunidad al estudiante para contrastar su marco teórico-referencial y participar en realidades empresariales. El 100% de los estudiantes participantes construyen un proyecto de mejoramiento integral con su empresario.

- Trabajo en equipo. El 100% de los participantes cambia su concepción de trabajo en equipo y conciben “su empresa” como un campo de aprendizaje y mejoramiento.
- La calidad de la consultoría ha sido valorada por los empresarios en promedio con 4,3 sobre 5.0.
- Los estudiantes han valorado calidad y pertinencia de la materia adquiriendo mayor experiencia y herramientas para aplicar el conocimiento adquirido.
- Aporte al desarrollo-

4.3.1.1.RESULTADOS DE MEJORAMIENTO EMPRESARIAL:

- Evaluación de la estructura interna para exportar (88% de las empresas participantes)
- Definición de procesos productivos (87% de empresas participantes)
- Elaboración de flujos de caja (75% de las empresas participantes)
- Programas de RRHH. Desarrollo de personal. Implementación de mejores prácticas de capacitación, desarrollo y evaluación. (71% de empresas participantes).
- Formulación de objetivos corporativos (40% de empresas participantes)
- Procesos de planeación financiera alineados con la estrategia de la empresa y con su visión de mercado y soportados en presupuestos sólidos. (32% de empresas participantes)
- Formulación de planes de mercadeo estratégicos (30% de empresas participantes)

4.3.1.2.RESULTADOS DE IMPACTO:

FINANCIERO-ECONÓMICOS

- Un 27% de las empresas participantes ha mejorado la generación de utilidades operacionales en los períodos siguientes a su participación en el programa, vía incremento en ventas, mejoramiento de procesos productivos y la implementación de control presupuestal de gastos y el desarrollo de su estructura de costos productivos. Este porcentaje es el resultado de la comparación de los ingresos observados en el balance al inicio del programa y los que logra la empresa al finalizar el programa.

CLIENTES.

- Un 32% de las empresas participantes ha logrado incrementar el número de clientes en los períodos siguientes a su participación en el programa, a través de investigación de mercados y la segmentación estratégica de los mismos y actividades de promoción y mercadeo. La participación activa de los Consultores Junior en el diseño de estrategias efectivas de mercadeo que han logrado la consolidación de bases de datos reales que facilitan la gestión de ventas.

PRODUCTOS-SERVICIOS

- 35% de las empresas participantes ha realizado mejoramiento en la calidad de sus productos, vía implementación de Buenas Prácticas de Manufactura, levantamiento y documentación de procesos.

- 9% de las empresas participantes han generado desarrollos específicos de nuevos productos-servicios, como estrategia empresarial.

5. CONCLUSIONES

Desde el 2000, el Programa Plan Padrinos® ha contado con la participación activa de 1.119 empresarios, un número importante de estudiantes (1.976), un equipo de profesores investigadores de la facultad y el apoyo de organizaciones tan importantes como ACOPI, Fundes, Tecnológico de Monterrey, Sociedades Bolívar y Bancoldex, por lo cual se ha venido consolidando como una experiencia pionera en su clase.

El Programa Plan Padrinos® se puede considerar como una estrategia para contribuir a la lucha contra la pobreza desde la perspectiva del desarrollo de capacidades, que además se convierte en una innovadora estrategia pedagógica que permite a los estudiantes contrastar la teoría con la realidad empresarial colombiana, fortaleciendo sus competencias gerenciales y contribuyendo desde su etapa de formación al desarrollo económico incluyente del país.

Entre las características más destacables del Programa Plan Padrinos® es que se puede considerar como un ejemplo de sinergia entre la academia, el sector privado y público, demostrando que es posible un trabajo mancomunado entre la academia, el sector público y la empresa privada para combatir la pobreza.

Además de ser un ejercicio práctico, sin costo para el empresario, genera grandes beneficios para todos los participantes, con resultados concretos, pero sobre todo se destaca que promueve relaciones colaborativas entre pares, sin generar dependencias y con la capacidad para replicarse en otros espacios y ámbitos.

Bibliografía

BELTRAN, Alejandro. TORRES, Elsa. CAMARGO, Rafael. BELLO, Carlos. (2004) Pymes un Reto a la Competitividad. Ed, Universidad Externado de Colombia. Bogotá.

BELTRAN, Alejandro. TORRES, Elsa. CAMARGO, Rafael. BELLO, Carlos. (2006). Mejorando la Competitividad de la Pyme. Universidad Externado de Colombia. Bogotá.

CEPAL. (2012). El Panorama Social de América Latina. Recuperado el 18 de 03 de 2014 en: <http://www.cepal.org/publicaciones/xml/5/48455/PanoramaSocial2012.pdf>

COMMISSION OF THE EUROPEAN COMMUNITIES. (2009). European Competitiveness Report, Brussels.

DAVID, Fred (2003). Conceptos de Administración Estratégica. 9na Edición, Pearson Educación, México.

ESSER, Klaus. HILLERBRAND, Wolfgang. MESSNER, Dirk. MEYER-STAMER, Jorge. (1996). Systemic Competitiveness: New governance patterns for industrial development, GDI Books, Series No 7. London.

FTSE Global Equity Index Series, (2009). Country Classification.

KURB, Milan. (1999). La Consultoría de Empresas: Guía para la Profesión. Ed. LIMUSA. México.

MUÑIZ, Edgar (2010). Propuesta de un modelo para la creación y el fortalecimiento de nuevas empresas sociales (Modelo SERCREA+) como alternativa para combatir la pobreza patrimonial. Una aplicación para la región de Querétaro, México. Documento para optar Título de Doctor en Ciencias Empresariales, en la Universidad Nebrija, Madrid, España.

NUÑEZ M. Jairo. RAMIREZ, Juan Carlos. (2002). Determinantes de la pobreza en Colombia. Años recientes: Proyecto de Apoyo a la implementación de un sistema de indicadores de desarrollo sostenible” CEPAL/ PNUD COL/ 01/ 008. Recuperado el 18 de 03 de 2014.

<http://www.eclac.cl/publicaciones/xml/0/11970/lcl1785e.pdf>

PANDE, Peter, S. NEUMAN, Robert, P. CAVANAGH, Roland, R. (2004). Las Claves Prácticas de Seis Sigma. McGraw Hill. Madrid.

PORTER. (Mayo-Junio de 1995). la ventaja competitiva de los barrios centricos degradados. En PORTER, The Copetitive Advantage on the Inner City. Harvard Business Review.

PORTER, M. E. (1999). Ser competitivo: nuevas aportaciones y conclusiones. Argentina: Deusto.

SEN, A. K. (1995). Nuevo examen de la desigualdad. Alianza Editorial, S.A

SEN, Amartya. (2000). La pobreza como privacion de capacidades, en desarrollo y Libertad. Buenos Aires: Editorial Planeta S.A.

SNIJDERS, Jacqueline. (2003). Las PYMEs europeas en estudio: principales resultados del Observatorio de las PYMEs Europeas 2002, Luxemburgo: Oficina de Publicaciones Oficiales de las CC.EE.

RACZYNSKI, D. (1995). Estrategias para combatir la pobreza en América Latina: Programas, Instituciones y Recursos . BID.

VILLAMIL, Jesús. DNP. (2004). Tratado de libre comercio: Desarrollo Empresarial y PyMEs.

YEPES, Gustavo. PEÑA Wilmar. SANCHEZ, Luis. (2006). La Responsabilidad Social Empresarial, Fundamentos y Aplicación de las Organizaciones de Hoy, Ed, Universidad Externado de Colombia. Bogotá.

Eficacia en programas para la lucha contra la pobreza:
La experiencia de Centroamérica²⁸

Ana-María Majano
Alajuela, Costa Rica

Jorge-Vinicio Murillo-Rojas
Alajuela, Costa Rica

Resumen: La Cátedra Fundación Poma para la Superación de la Pobreza fue establecida mediante un convenio entre la Fundación Poma de El Salvador e INCAE, una escuela de negocios regional con sedes en Costa Rica y Nicaragua, con el objetivo de contribuir a mejorar la efectividad de iniciativas gubernamentales y privadas de lucha contra la pobreza. Durante la vida del programa – entre 2006 y 2011 - INCAE realizó un diagnóstico de la situación de pobreza y sus determinantes en Centroamérica y utilizó la metodología de casos para analizar doce iniciativas diferentes de lucha contra la pobreza a lo largo de todos los países de la región. Se obtuvo una serie de lecciones relacionadas con los factores que influyeron para que estas iniciativas fueran o no efectivas en el logro de sus objetivos.

Abstract: The Poma Foundation Chair on Overcoming Poverty was created through an agreement between the Poma Foundation, from El Salvador, and INCAE, a regional business school based in Costa Rica and Nicaragua, with the purpose of contributing to the improvement of government and private initiatives against poverty. During the life of the program – between 2006 and 2011 – INCAE developed a diagnostic of the situation of the Central America regarding poverty and its determinants, and used the case study methodology to analyze twelve different poverty alleviation initiatives throughout the region. A number of lessons were drawn regarding the factors that influenced whether or not these initiatives were effective in achieving their goals.

Palabras Clave: Pobreza, desigualdad, Centroamérica, educación, salud, nutrición, vivienda, microcrédito

²⁸Los autores fueron la Coordinadora y el Investigador Principal de la Cátedra Fundación Poma para la Superación de la Pobreza durante 2009-2011. Este artículo presenta un resumen de un reporte de 122 páginas que está en proceso de publicación por parte de la Fundación Poma e INCAE.

INTRODUCCIÓN

La Cátedra Fundación Poma para la Superación de la Pobreza fue establecida mediante un convenio entre la Fundación Poma e INCAE Business School, en marzo del año 2006, como un programa de investigación de cinco años cuyo propósito principal era la generación de conocimientos que contribuyeran a mejorar la efectividad de los esfuerzos de lucha contra la pobreza en la región centroamericana.

Después de una etapa inicial de revisión de literatura y diagnóstico de la situación de pobreza en los países centroamericanos, entre 2007 y 2011 la investigación se enfocó en el estudio de casos de iniciativas consideradas en su momento como innovadoras, que abordan algunos de los factores determinantes de la pobreza, tales como nutrición, salud, educación, acceso al crédito, acceso a servicios básicos y generación de ingresos.

Los estudios de caso, supervisados principalmente por miembros de la Facultad de INCAE, buscan documentar lecciones aprendidas e identificar factores críticos para la efectividad, o en algunos casos falta de ella, de los programas analizados. La intención es proporcionar a los gobiernos e instancias de la sociedad civil una guía de buenas prácticas para el desarrollo de sus propias iniciativas contra la pobreza.

MARCO CONCEPTUAL

A pesar de ser un fenómeno muy estudiado y discutido, no existe una definición universalmente aceptada de pobreza. Los pobres viven y sienten la pobreza en múltiples dimensiones, pero al tratar de brindar una interpretación formal a este concepto, es difícil abordar integralmente los factores que la describen y la determinan.

Las definiciones son muy variadas y los puntos de vista desde los que se aborda su conceptualización son muy diferentes (Sen, 1999; CEPAL, 2000; PNUD, 1997; Banco Mundial). No obstante, la mayoría de definiciones coincide en que la pobreza no es solamente un problema económico cuantitativo, caracterizado por ingresos bajos y carencia o insuficiencia de bienes materiales. Por esta razón es necesario también incluir en su estudio elementos de corte cualitativo, como el desarrollo de capacidades y el acceso a la “posibilidad de tener” (Sen, 1984; Dréze & Sen, 1989).

Frecuentemente se analiza como causas de la pobreza las condiciones que hacen que una persona, familia o comunidad sea pobre, tales como la falta de educación, salud y acceso a crédito, aunque es válido el cuestionamiento de algunos expertos, preguntándose si estas condiciones son causas, consecuencias o manifestaciones de la pobreza.

Sin olvidar el debate existente sobre el orden de la causalidad, para efectos de este trabajo, se ha buscado adoptar un enfoque que permita comprender de manera coherente los determinantes de la pobreza para poder desarrollar iniciativas que mejoren las condiciones de vida de las personas sumidas en esa situación.

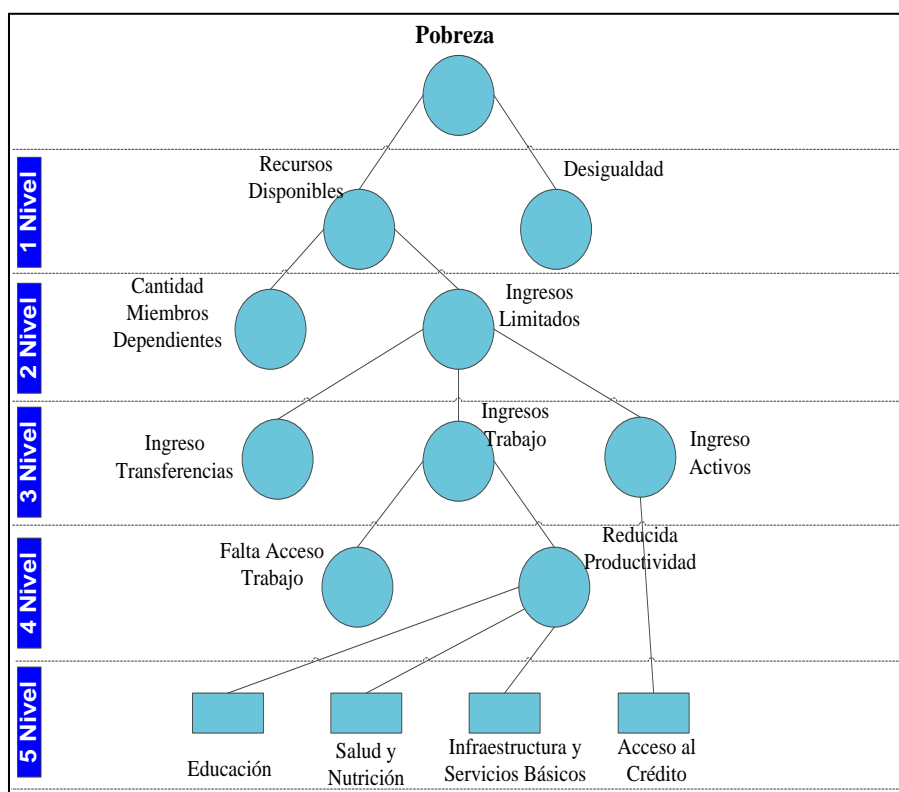
Se ha decidido aplicar el enfoque presentado por Paes *et ál.* (2005), que ha sido utilizado por el Programa de Naciones Unidas para el Desarrollo (PNUD) en los estudios llevados a cabo en los países centroamericanos, y que se presenta de manera esquemática en la Figura 1.

De acuerdo con este enfoque, los factores determinantes de la pobreza pueden abordarse por etapas o niveles: investigando, primeramente, aquellos que se encuentran más próximos al

fenómeno de la pobreza (macrodeterminantes) y, posteriormente, analizando otros niveles (microdeterminantes) que explican los factores del primer nivel.

En un **primer nivel de análisis**, el grado de pobreza de un país está determinado por el volumen total de recursos disponibles, por el grado de desigualdad en la distribución de esos recursos y por la línea de pobreza adoptada (Paes *et ál.*, 2005).

Figura 1. Esquema de los determinantes de la pobreza



Fuente: Elaboración propia con base en Paes *et ál.* (2005).

En un **segundo nivel** de análisis, que se enfoca en los hogares, los autores muestran que existen dos razones inmediatas para explicar por qué el volumen de recursos disponibles en un hogar no es suficiente. Estas son la composición del hogar (la cantidad de miembros dependientes) y los ingresos de los miembros adultos de la familia.

El **tercer nivel** de análisis, Paes *et ál.* (2005) se concentra en los tres grupos principales de determinantes que explican que los ingresos de los hogares sean bajos. Según estos autores, el ingreso de los hogares es bajo cuando se presenta alguno de los siguientes factores o una mezcla de ellos: bajo ingreso proveniente del trabajo, bajo ingreso proveniente de transferencias y/o bajo ingreso proveniente de activos físicos y financieros.

En el **cuarto nivel** de análisis están los determinantes del bajo ingreso proveniente del trabajo, que son analizados desde dos perspectivas. La primera es que el bajo ingreso en este rubro puede deberse a la falta de acceso al trabajo, lo cual es perceptible en el caso que existan altas

tasas de desempleo o subempleo.²⁹ La segunda es que el bajo ingreso del trabajo se deba a la reducida productividad de las labores que desempeñan los miembros adultos del hogar, a pesar de que cuenten con empleo. Este último determinante constituye la vía de análisis seguida por Paes *et ál.* (2005) para llegar a un quinto nivel de análisis que es, precisamente, en el que se ha enfocado la investigación de la Cátedra Fundación Poma en INCAE.

En este **quinto nivel** se analizan los factores que determinan la reducida productividad del trabajo que realizan los miembros de los hogares pobres que están empleados. Un bajo nivel de productividad laboral se vincula con una serie de desequilibrios estructurales relacionados con la malnutrición, la mala salud, los bajos niveles de alfabetización y las condiciones precarias de vivienda y alojamiento. Todo esto como consecuencia de un acceso limitado a infraestructura y los servicios sociales básicos, así como a la tierra, el crédito, la tecnología y, en general, a los insumos y recursos productivos necesarios para garantizar medios de vida seguros y sostenibles (PNUD, 1996).

CONTEXTO DE LA POBREZA EN LA REGIÓN CENTROAMERICANA³⁰

Los niveles de pobreza presentan diferencias significativas entre los países del istmo, variando entre un 18,9% en Costa Rica y un 68,9% en Honduras (Cuadro 1). En Guatemala, Honduras y Nicaragua más de la mitad de la población vive en esa condición y en El Salvador solamente un poco más de la mitad de sus habitantes logra obtener los ingresos suficientes para cubrir sus necesidades mínimas de alimentación, vestido y servicios básicos. Sólo en dos países -Costa Rica y Panamá- la incidencia de la pobreza es menor al nivel promedio para Latinoamérica (33.1%).

Cuadro 1. Pobreza en Centroamérica (% de personas bajo la línea de pobreza)

NACIONAL				
	Inicios 90s *	Inicios 2000s	Circa 2009 **	Cambio 1990-2009 (en puntos porcentuales)
Costa Rica	26,3	20,3	18,9	-7,4
El Salvador	54,2	48,9	47,9	-6,3
Guatemala	69,4	60,2	54,8	-14,6
Honduras	80,8	77,3	68,9	-11,9
Nicaragua	73,6	69,3	61,9	-11,7
Panamá	...	34,0	25,8	...
América	48,3	43,2	33,1	-15,2

²⁹ Si bien es cierto de que el acceso al empleo se considera como un importante determinante de la pobreza, el análisis no se puede quedar únicamente en conocer si hay empleo o no. Debe considerarse, además, la calidad del empleo y si este es empleo formal o empleo informal, ya que estos elementos son determinantes también de la pobreza.

³⁰Esta sección está basada en el diagnóstico elaborado en el marco de la cátedra en el año 2010 y actualizado en el año 2011.

Latina				
ÁREA URBANA				
	Inicios 90s	Inicios 2000s	Circa 2009	Cambio 1990-2009 (en puntos porcentuales)
Costa Rica	24,9	17,5	18,5	-6,4
El Salvador	45,8	39,4	42,3	-3,5
Guatemala	53,6	45,3	42,0	-11,6
Honduras	70,4	66,7	56,9	-13,5
Nicaragua	66,3	63,8	54,4	-11,9
Panamá	32,7	25,3	16,3	-16,4
América Latina	41,4	37,0	27,8	-13,6
ÁREA RURAL				
	Inicios 90s	Inicios 2000s	Circa 2009	Cambio 1990-2009 (en puntos porcentuales)
Costa Rica	27,3	24,3	19,5	-7,8
El Salvador	64,4	62,4	57,6	-6,8
Guatemala	77,7	68,0	66,5	-11,2
Honduras	88,1	86,1	78,8	-9,3
Nicaragua	82,7	77,0	71,5	-11,2
Panamá	...	48,5	43,1	...
América Latina	65,4	62,3	52,8	-12,6

* Para El Salvador el dato es del año 1995

** Para Honduras, Guatemala y Nicaragua son datos de 2007, 2006 y 2005, respectivamente

Fuente: Elaboración propia a partir de datos de Cepalstat

Son evidentes las disparidades entre las zonas urbanas y rurales. En todos los países de la región centroamericana, la incidencia de la pobreza es considerablemente mayor en el área rural. Con excepción de Costa Rica, donde la pobreza rural sobrepasa a la urbana en menos de 2 puntos porcentuales, las diferencias urbano-rurales son superiores a 15 puntos porcentuales. La brecha más dramática se presenta en Panamá, donde la pobreza rural alcanza un 43,1% contra un 16,3% de pobreza urbana. Todo esto con la agravante de que para todos los países del istmo, excepto Costa Rica y El Salvador, esas brechas se han ensanchado en las últimas dos décadas.³¹

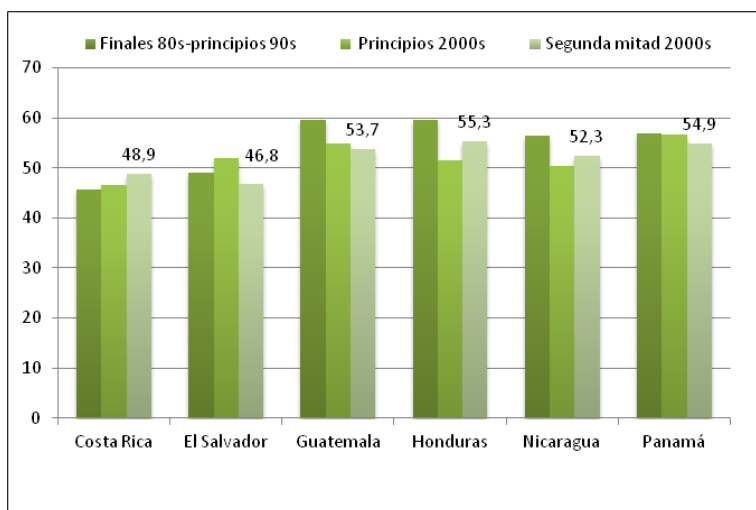
³¹ Específicamente, entre 1990 y 2009 (o entre 1990 - 2007, 1990-2006 y 1990-2005).

La pobreza extrema en la región oscila entre el 6,9% en Costa Rica y el 45,6% en Honduras, situación que se agrava en el área rural. La brecha urbano-rural en términos de pobreza extrema sólo ha disminuido en Costa Rica y El Salvador, lo que implica que se ha acrecentado o permanecido similar precisamente donde el problema de la pobreza extrema rural es más serio: Guatemala Honduras y Nicaragua.

El Índice de Gini³² confirma que en todos los países de la región la desigualdad es también muy alta.³³ Para años recientes (segunda mitad de la década de 2000) su valor oscila entre 46,8% en El Salvador y 55,3% en Honduras.

La evolución del Índice de Gini durante la última década (Figura 2), no muestra una clara tendencia regional. Las pequeñas variaciones no alteran la caracterización del istmo como una zona con una alta disparidad en la distribución de los ingresos.

Figura 2. Evolución Índice de Gini



Fuente: World Development Indicators, World Bank, 2010

SITUACIÓN DE LOS DETERMINANTES DE LA POBREZA

Salud

Para analizar el tema de salud se usan, generalmente, dos indicadores como una primera aproximación: la esperanza de vida al nacer y la mortalidad infantil (Herrera *et ál.*, 2004).

³² El Índice de Gini es la medida más utilizada para cuantificar desigualdad de ingreso, con un valor mínimo de 0 que indica igualdad absoluta y un valor máximo de 1 que implica inequidad absoluta. También se expresa como porcentaje con valores de 0% a 100%, respectivamente.

³³ Centroamérica, al igual que otros países de Latinoamérica presentan valores muy altos de desigualdad, comparados con otros países del mundo, por ejemplo: Polonia (34,2), Rumanía (31,1), Vietnam (37,6), Nigeria (34,0), Pakistán (32,7).

Existen importantes diferencias entre los países del Istmo Centroamericano en cuanto a la esperanza de vida al nacer. Hay 10 años de diferencia entre el país con la más alta expectativa (Costa Rica) y el que tiene la más baja (Guatemala).

En las últimas dos décadas, Centroamérica ha avanzado significativamente en la disminución de la mortalidad infantil. La tasa promedio de mortalidad infantil para la región se redujo a un poco más de la mitad de los niveles de 1990, pasando de 53/1 000 a 22/1 000, con una mayor reducción, precisamente en los países donde la tasa era mayor.

A pesar de lo anterior, aún existen considerables diferencias entre países. La mortalidad infantil en niños menores de 5 años en Guatemala es tres veces mayor que la de Costa Rica. Este último país es el líder centroamericano, pero aún así tiene una tasa de mortalidad infantil que es casi el doble de la de Cuba.

Nutrición

Centroamérica ha sido y sigue siendo una región con hambre. Según datos de Cepalstat, cerca del 14% de la población de la región está por debajo del nivel mínimo de consumo de energía alimentaria, casi el doble del promedio de América Latina (8%). Entre los años 2005 y 2007, la subnutrición afectó al 15% de la población centroamericana lo que significa un leve avance con respecto a 1990 (19%).

Educación

Los niveles de alfabetización del Istmo experimentaron mejoras en los últimos 20 años, pero todavía existen en la región unos 4,5 millones de personas analfabetas. Sólo Costa Rica y Panamá tienen una tasa de analfabetismo menor a la tasa promedio de la región latinoamericana; en tanto, en Guatemala y Nicaragua cerca de una cuarta parte de su población permanece analfabeta.

Infraestructura

En Centroamérica hay carencias importantes en el desarrollo de infraestructura básica. Esas carencias son, en general, más profundas en el área rural. La región tiene baja conectividad y cobertura (carreteras, electricidad -sobre todo, en el área rural) y mala calidad en los servicios (acueductos y alcantarillados).

Las deficiencias en infraestructura se vuelven más limitantes, tomando en cuenta de que a partir de finales de la década de los ochenta y principios de los noventa, los intercambios comerciales en el Istmo Centroamericano han crecido a tasas superiores al crecimiento de la economía, y si bien la oferta de infraestructura también ha aumentado, lo ha hecho a tasas más bajas.

Vivienda

El déficit habitacional es un problema creciente en la región centroamericana. Los datos indican que para los países del CA5³⁴ el déficit habitacional es cercano a las 3,5 millones de viviendas. El caso más crítico es Guatemala, que alberga el 35% de la población centroamericana y donde

³⁴ Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua y Panamá.

el déficit habitacional representa el 44% de la región; en tanto Costa Rica es el país donde el problema es menor, pues este alberga al 12% de habitantes de Centroamérica, pero las necesidades de vivienda de ese país representan el 5% del total de las viviendas requeridas en la región.

Acceso a servicios financieros

El acceso a este tipo de servicios es muy bajo en el Istmo Centroamericano: en promedio, tan solo el 33% de la población adulta tiene acceso a servicios bancarios.³⁵ Panamá es la economía cuya población tiene mayor acceso a servicios bancarios, con un 46%, seguido por Costa Rica con un 40,4%. En los demás países, el acceso al sistema financiero es muy inferior, el caso extremo Nicaragua con apenas un 13%.

METODOLOGÍA DE LA INVESTIGACIÓN

Tomando en cuenta el objetivo de la Cátedra Fundación Poma para la Superación de la Pobreza, se escogió la metodología de estudio de casos como la mejor manera de identificar elementos comunes de éxito o fracaso, y derivar lecciones aprendidas.

De acuerdo con varios autores (Yin, 1994; Yacuzzi, 2005; Miles & Huberman, 1994), los casos analíticos son una forma apropiada de conducir investigaciones en las ciencias sociales, cuando se quiere conocer el “cómo” o el “por qué” de un fenómeno contemporáneo en algún contexto de la vida real y el investigador tiene poco control sobre los eventos.

Según la lógica de replicación enunciada por Yin (1994) y Miles & Huberman (1994), la utilización de múltiples casos analíticos es equivalente a utilizar múltiples experimentos. Estos múltiples experimentos pueden conducir a resultados similares y por ende, dar una confirmación de resultados (lo que corresponde a una replicación literal) o pueden conducir a resultados opuestos, pero por razones predecibles (lo que corresponde a una replicación teórica).

Esta descripción concuerda con las características de la presente investigación. En la misma, busca estudiarse el proceso de formulación y ejecución de un grupo de iniciativas de lucha contra la pobreza, el nivel de éxito alcanzado y la forma en que ese éxito o efectividad se ven influenciados por aspectos intrínsecos y extrínsecos al programa.

Los casos de estudio desarrollados como parte del trabajo de la Cátedra siguieron un protocolo de investigación que dirigía el enfoque general. La principal unidad de análisis de este estudio son los programas o iniciativas emprendidas por empresas, gobiernos u organizaciones de la sociedad civil. Sumado a esto, se ha incorporando unidades de análisis secundarias con el propósito de incluir las diversas interacciones que influyen en la efectividad de estas iniciativas. Esas unidades de análisis incluyen el país de origen del proyecto o programa y las alianzas público-privadas en los casos en los que éstas se han desarrollado.

Para la escritura de los casos se seleccionó un grupo de programas, proyectos o iniciativas que buscaban mejorar algún factor determinante de la pobreza, como acceso a educación, salud,

³⁵ Estos indicadores muestran una brecha importante respecto a los de países desarrollados como EE.UU., Alemania, Canadá o Francia, todos con tasas de acceso a servicios financieros superiores a 90%, Incluso según datos del Banco Mundial, en Holanda el acceso es del 100%.

nutrición, infraestructura, servicios básicos y crédito, entre otros, y que en su momento fueron considerados innovadores por alguna de sus características (Cuadro 2). Estos casos han tenido un ámbito geográfico de ejecución que se circunscribe a uno o varios países de Centroamérica. En algunos casos, su escala de impacto es local, es decir, influye únicamente en una comunidad o área pequeña. En otros casos, la escala del impacto de la iniciativa es nacional, teniendo cobertura de todo un país y, en algunos, la escala del impacto es regional, por lo que el programa tiene cobertura en más de un país.

Por otra parte, los casos seleccionados corresponden a iniciativas diseñadas, implementadas y patrocinadas por diferentes tipos de organizaciones o combinaciones de ellas; instancias gubernamentales, fundaciones privadas, organizaciones no gubernamentales (ONGs), y entidades de cooperación internacional.

Dado que el éxito de la investigación por medio de los casos depende de la disponibilidad de información, un importante criterio para la selección de los casos fue la existencia de datos y evaluaciones sobre los proyectos, así como la disposición de las autoridades a cargo de los programas para compartir esta información y facilitar su estudio.

CASOS ESTUDIADOS

Fundación Mujer – OIT

En el 2005, la Microfinanciera Fundación Mujer -ONG costarricense- fue seleccionada por la Organización Internacional del Trabajo (OIT) para desarrollar el Componente de Desarrollo Económico de su proyecto local. Se buscaba atender a un grupo de 14 mujeres, víctimas de la explotación sexual comercial, por medio de capacitaciones sobre temas de desarrollo personal y de negocios, además de una donación para que emprendieran sus propias microempresas.

Libras de Amor (A)

Libras de Amor es un programa que busca reducir la pobreza en El Salvador a través de la disminución de la tasa de desnutrición infantil. Fue iniciado en el año 2004 por FUSAL, organización privada sin fines de lucro, fundada por un grupo de empresarios salvadoreños en 1986. El programa se proponía disminuir significativamente la tasa de desnutrición crónica en niños de 5 años, disminuir la morbilidad y mortalidad materna e infantil y mejorar el ingreso familiar en las comunidades beneficiadas.

Creciendo Bien

Creciendo bien nació en el 2004, como iniciativa de la Secretaría de Obras Sociales de la Esposa del Presidente de la República de Guatemala (SOSEP). Era un programa para luchar contra la desnutrición. La intervención en cada comunidad podía desarrollarse en dos diferentes modalidades de ejecución: Por el equipo de Creciendo Bien de la SOSEP o por una ONG subcontratada.

FINCA Costa Rica

La Fundación Integral Campesina (FINCA Costa Rica) es una fundación que a través de la creación y fortalecimiento de empresas de microcrédito, busca mejorar la calidad de vida de las personas que habitan en la zona rural, y más recientemente en la zona urbana. Desde 1984

desarrolla Empresas de Crédito Comunal (ECC) que brindan servicios financieros para satisfacer necesidades de crédito y ahorro a pobladores de comunidades.

Red Arco Iris

Rainbow Network, conocida en Nicaragua como Red Arco Iris, es una organización cristiana que se especializa en programas de desarrollo comunitario de largo plazo, basados en la asociación. La red ha funcionado en Nicaragua desde 1995 y su asistencia se centra en cuatro ejes: cuidado de la salud, educación, desarrollo económico y vivienda.

Fomilenio

El Fondo del Milenio de El Salvador (FOMILENIO) fue ejecutado por el gobierno de ese país entre los años 2007 y 2012, con financiamiento del Millenium Challenge Corporation, del gobierno de los Estados Unidos. La meta era reducir la pobreza de la Zona Norte en 8 puntos porcentuales, a través del desarrollo humano, el desarrollo productivo y la conectividad vial.

Zamorano: La Iniciativa del Yeguaré

Este programa fue ejecutado por la Escuela Agrícola Panamericana Zamorano. La Iniciativa se orientaba a promover el desarrollo sostenible de la región del Yeguaré, por medio de un conjunto de proyectos enfocados en la participación de los jóvenes de las comunidades beneficiarias, el fortalecimiento de los gobiernos locales y la capacitación a las familias en la utilización de tecnologías que les permitieran mejorar la calidad de vida de sus miembros.

EBAIS

Los Equipos Básicos de Atención Integral en Salud (EBAIS) fueron creados en el marco de una reforma del sector de salud costarricense, iniciada en 1993. Su origen estaba fundamentado en la descentralización de los servicios de salud, el incremento en el acceso a servicios de salud primarios para todos los habitantes, el fomento de la medicina preventiva, la descongestión de los hospitales y la reversión de la crisis en el sistema de salud costarricense.

Electrificación Rural en Guatemala

El Programa de Electrificación Rural (PER) ha sido desarrollado en Guatemala desde 1999, por el Instituto Nacional de Electrificación (INDE) y la empresa privada Unión Fenosa DEOCSA-DEORSA. Con fondos resultantes de la privatización de las empresas distribuidoras estatales y préstamos internacionales, el programa tenía el objetivo de elevar el índice de electrificación del país en casi 20 puntos porcentuales en un período de diez años.

Libras de Amor (B)

El Programa de Generación de Ingresos (PGI) de Libras de Amor comenzó a funcionar en el año 2008. En ese momento, el modelo de intervención de *Libras de Amor* consistía de dos ejes, uno de salud y nutrición y el otro de generación de ingresos. El PGI busca llevar sostenibilidad a las intervenciones de *Libras de Amor*, dándoles a las familias herramientas para procurarse los ingresos suficientes, y así garantizar que una vez las familias dejen de ser beneficiarias del Programa, puedan seguir una nutrición y cuidado de salud adecuados.

MyDEL

El Programa Mujeres y Desarrollo Local (MyDEL) fue una iniciativa conjunta de la Cooperación Italiana y el Programa de las Naciones Unidas para las Mujeres (UNIFEM), ejecutada entre los años 2007 y 2010. Su finalidad era proponer un modelo y una ruta metodológica para el empoderamiento económico, la equidad de género y la gobernanza democrática de las mujeres emprendedoras, como actoras y dinamizadoras del desarrollo territorial.

Avancemos

El Programa AVANCEMOS comenzó a ejecutarse a mediados del 2006 en Costa Rica. En términos generales, este programa gubernamental pretende ayudar a las familias pobres a mantener sus miembros jóvenes en la secundaria a través de transferencias de efectivo, condicionadas a la asistencia y permanencia de los estudiantes en el sistema escolar.

Cuadro 2. Datos de los casos estudiados

Caso	País	Enfoque	Institución Ejecutora
Fundación Mujer-OIT	Costa Rica	Microfinanzas, capacitación, salud para mujeres	Fundación Mujer
Libras de Amor (A)	El Salvador	Salud/Nutrición	FUSAL
Creciendo Bien	Guatemala	Salud/Nutrición y educación para mujeres	Secretaría de Obras Sociales de la Esposa del Presidente de la República (SOSEP)
FINCA Costa Rica	Costa Rica	Microfinanzas, empresas de crédito rurales y urbanas	FINCA Costa Rica
Red Arco iris	Nicaragua	Programas de vivienda, microfinanzas, educación, nutrición, salud	Red Arco Iris
Fomilenio	El Salvador	Educación, generación de ingresos y acceso a infraestructura y a servicios básicos	Fomilenio
Zamorano: La Iniciativa del Yeguaré	Honduras	Educación y Capacitación a Comunidades Rurales	Universidad Zamorano
EBAIS	Costa Rica	Centros de salud primaria descentralizados	Caja Costarricense del Seguro Social
Electrificación Rural en Guatemala	Guatemala	Acceso a Infraestructura y servicios básicos	INDE y Unión Fenosa
Libras de Amor (B)	El Salvador	Generación de Ingresos	FUSAL
MyDEL	Honduras-El Salvador	Género y Pobreza	UNIFEM
Avancemos	Costa Rica	Educación. Transferencias condicionadas de efectivo	IMAS y FONABE

LECCIONES APRENDIDAS

La conclusión más importante de la investigación es que, aun cuando todos los programas y proyectos analizados manifestaban como parte de sus objetivos generales y/o específicos contribuir a la reducción de la pobreza, no es posible afirmar que se logró este objetivo. Esto es porque ninguno de ellos incluyó en su diseño los mecanismos necesarios para medir objetivamente su impacto en el nivel de pobreza de los beneficiarios, y algunos ni siquiera para medir el impacto en el o los determinantes específicos de la pobreza que buscaban abordar. Esta situación da mayor relevancia y un sentido de urgencia a los trabajos que están haciendo en la actualidad muchos expertos, en el desarrollo de herramientas para la medición y evaluación del impacto de los programas y proyectos públicos y privados. Además, llama a la reflexión sobre la validez de la utilización de términos como “lucha contra la pobreza”, “reducción de la pobreza” o “combate a la pobreza”, como una manera de hacer más atractivas las iniciativas, ya sea para las instituciones cooperantes o una audiencia política, sin contar con los medios para demostrar cómo se logrará dicha contribución.

Por otra parte, el análisis de los diferentes casos sugiere que las iniciativas efectivas para el combate a la pobreza deben contar con diseños integrales que les permitan abordar el problema de manera holística. Por ejemplo, en el caso *Libras de Amor en El Salvador*, el problema de la desnutrición fue abordado a través de una intervención directa para disminuir la desnutrición, por medio de la provisión de alimentos y complementos nutritivos, complementada con un control de talla, peso y en general la salud de los niños; educación y capacitación a los miembros de la familia, para que pudieran comprender el problema y las formas de prevenirlo; y un componente de generación de ingresos para la sostenibilidad económica de las familias atendidas. Otras instituciones que han integrado diversas áreas en sus iniciativas son Red Arco Iris en Nicaragua y Finca en Costa Rica.

Cabe señalar que el que una iniciativa sea integral, no quiere decir que la organización que la ejecuta deba desarrollar todas las actividades, porque corre el riesgo de salirse de su campo o área de experiencia. Por el contrario, es importante que la organización considere todas las áreas de acción y busque las alianzas necesarias para implementar acciones en cada una de estas. En el caso del Programa de Electrificación Rural en Guatemala, por ejemplo, el INDE ha iniciado recientemente un programa para la generación de actividades productivas en las zonas beneficiadas. Sin embargo, esa no es su área de experiencia, por lo que perfectamente la institución podría tratar de colaborar con otras organizaciones especializadas en esos temas.

Además de esto, el diseño de los programas para la lucha contra la pobreza debe incluir los mecanismos necesarios para asegurar el empoderamiento de los beneficiarios. Las personas pobres deben ejercer un papel de liderazgo en las soluciones de sus propios problemas. Nadie mejor que ellas mismas conoce sus necesidades y el contexto en el cual deben desarrollarse las soluciones. Por ejemplo, en el caso de Finca, los beneficiarios son los dueños de las Empresas Comunitarias de Crédito y esta apropiación del proyecto permite que sean ellos los que más velen por el éxito y la sostenibilidad de sus empresas.

También es indispensable que las organizaciones que implementan iniciativas para la reducción de la pobreza tengan muy claras las necesidades y el entorno de la población meta. El desarrollo de una línea base en las comunidades beneficiarias de la iniciativa permite conocer con certeza el punto de partida del programa, monitorear los avances y, además, medir el impacto final que el programa tiene sobre la población meta. Igualmente, las instituciones deben conocer sus propias

capacidades y limitaciones para llevar a cabo estos programas. En la definición de estas necesidades y análisis del entorno ha resultado sumamente efectiva la incorporación de los posibles beneficiarios, como mejores conocedores de su propia realidad.

Así, por ejemplo, en la Iniciativa del Yeguaré, ejecutado por el Zamorano, se realizó un amplio diagnóstico de las características socioeconómicas de las poblaciones beneficiarias antes de comenzar con la intervención. Por el contrario, en el caso del programa de la OIT, ejecutado por la Fundación Mujer en Costa Rica, se señaló como una debilidad la falta de un diagnóstico de la situación socioeconómica de las beneficiarias, lo que al final contribuyó a los resultados negativos.

Cabe señalar que debe existir un balance en el tiempo y los recursos invertidos en estos diagnósticos. Si bien es importante contar con un diagnóstico, en algunos casos, se ha caído en el error de consumir demasiados recursos y tiempo en los diagnósticos, a costa de los necesarios para la ejecución del programa.

Es indispensable de que los programas para la reducción de la pobreza realicen un proceso transparente de selección de sus beneficiarios, de acuerdo con sus objetivos de alcance. La Iniciativa del Yeguaré es un ejemplo de intervención que contó con criterios claramente establecidos para la selección de sus beneficiarios. La falta de criterios objetivos de selección puede llevar a la utilización con fines políticos (real o percibida), especialmente en programas públicos.

Es fundamental medir la efectividad de los programas a través de evaluaciones internas y externas. Los modelos e indicadores que se utilicen para realizar estas evaluaciones deben establecerse con anticipación y deben enfocarse en los objetivos del programa a evaluar. En el caso Finca por ejemplo, no se diseñaron desde un inicio las evaluaciones o indicadores para medir el alcance efectivo de los objetivos. Por esta razón, aunque se han realizado algunas evaluaciones, principalmente operativas, no se cuenta con un resultado definitivo sobre el impacto que la iniciativa ha tenido en los niveles de pobreza. De manera contraria, en el caso de Zamorano, se invirtieron muchos recursos en definir desde el diseño inicial del programa los indicadores necesarios para realizar las evaluaciones, sin embargo, no fueron utilizados para realizar evaluaciones del impacto durante y al final del programa.

Aún con la existencia de indicadores para el monitoreo y evaluación, la complejidad y multidimensionalidad de la pobreza hacen que sea muy difícil medir resultados o avances en los plazos en los que normalmente se diseña y monitorea este tipo de iniciativas. Reducir la pobreza no es fácil y por eso los resultados de un programa de este tipo no se aprecian en el corto plazo.

El contexto en el que se desarrollan los programas para la reducción de la pobreza no es estático. Por tal motivo es altamente recomendable que los modelos de intervención sean flexibles ante ese dinamismo del entorno. Para lograr esto, es importante que los ejecutores del programa estén atentos a esos cambios, que pueden reflejarse en los sistemas de monitoreo si son utilizados adecuadamente. El programa Finca, por ejemplo, ha mostrado gran flexibilidad en su modelo a lo largo de los años, adaptándose a las diferentes condiciones del contexto en el que se ha desarrollado.

Las sucesiones políticas en las administraciones públicas han afectado negativamente a muchos programas para la reducción de la pobreza emprendidos por los gobiernos de la región en el pasado. Ante esto, se hace imprescindible despolitizar este tipo de iniciativas de manera que no estén asociadas a una determinada administración, partido o líder político. Es importante que estos programas respondan a políticas públicas de largo plazo y no únicamente a un periodo presidencial. Algunos ejemplos de programas de índole pública que han logrado superar el cambio de administración presidencial han sido el Programa de Electrificación Rural en Guatemala, Avancemos y EBAIS en Costa Rica y Fomilenio en El Salvador. Sin embargo, otros como Creciendo Bien en Guatemala no superaron la prueba de la sucesión gubernamental.

Adicionalmente, en el análisis de los casos de esta investigación, se hizo evidente la importancia de las alianzas público-privadas en el diseño y ejecución de los programas para la lucha contra la pobreza. Las acciones coordinadas entre ambos sectores favorecen el aprovechamiento de sinergias y el aporte de las características propias de los sectores público y privado en el cumplimiento efectivo de las metas.

El dinamismo empresarial de las iniciativas privadas se ve complementado con los recursos y mandatos del sector público para alcanzar una escala tal que permita un verdadero impacto en la disminución de los niveles de pobreza en las poblaciones beneficiadas. Programas como los EBAIS, Finca y la Iniciativa del Yeguaré son ejemplos de programas en los que se han alcanzado alianzas público-privadas para la ejecución de la iniciativa y el alcance exitoso de los objetivos.

Finalmente, es necesario recalcar que el poder de convocatoria y el prestigio de la entidad que ejecuta este tipo de programas es sumamente importante para lograr la credibilidad y el éxito del mismo. Esa credibilidad se debe lograr en todos los actores del programa y se sustenta en la capacidad demostrada de acompañamiento, así como en la transparencia en el uso de los recursos. En el caso de la Iniciativa del Yeguaré, el hecho que el programa fuera acompañado por una institución con la reputación y experiencia de la Escuela Zamorano, favoreció, enormemente, el trabajo con los beneficiarios y el apoyo de los municipios e instituciones participantes.

ÁREAS DE MEJORA

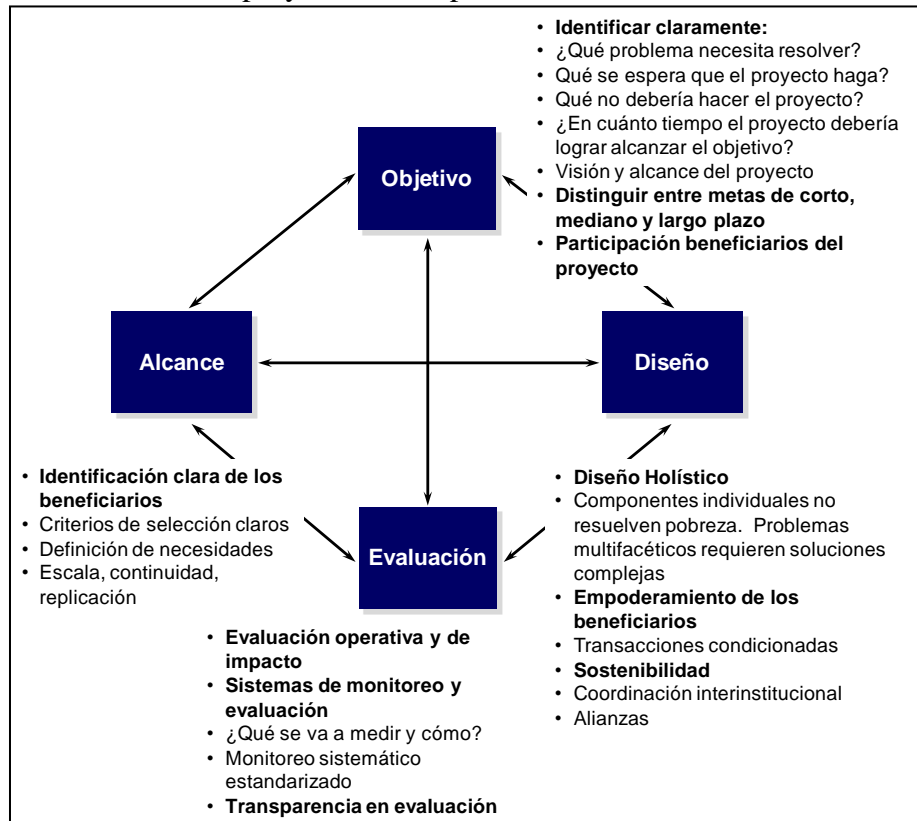
El análisis de los casos que forman parte de esta investigación refleja que este tipo de iniciativas, a pesar de tratarse de programas sociales, no escapa de la necesidad de seguir adecuadamente el ciclo de proyectos (Figura 3).

El ciclo de proyectos inicia con una etapa de diagnóstico seguida por el diseño de la iniciativa por desarrollar. Posteriormente, se realiza la ejecución de las actividades y el seguimiento de las mismas, finalizando con una evaluación de los resultados del proyecto –que debe ser una importante base para hacer ajustes antes de replicar o extender el proyecto, ya sea en el tiempo o geográficamente.

Por esta razón, es importante tener en mente que además de la formación en las áreas específicas que poseen los especialistas que diseñan e implementan estos programas, son necesarias capacidades en formulación y gerencia de proyectos, que les permitan desarrollarlos de forma efectiva.

La coordinación interinstitucional constituye un importante factor para el éxito de las iniciativas para la lucha contra la pobreza. Como se mencionó anteriormente, la pobreza es un problema complejo y como tal, requiere de soluciones diversas que incluyan diferentes áreas en ámbitos de educación, salud, generación de ingreso, acceso a servicios básicos y acceso a crédito, entre otros. Para esto son fundamentales los esfuerzos coordinados de diferentes instituciones.

Figura 3. Factores del ciclo de proyectos clave para la efectividad de las iniciativas



Fuente: Desarrollado por Bunse & Murillo como parte del trabajo de la Cátedra

Los programas para la reducción de la pobreza en la región deben tomar en cuenta las lecciones que se derivan de otros programas implementados en el pasado. La experiencia de otras entidades puede ser de gran valor para el diseño de nuevas iniciativas por la experiencia acumulada y por la innovación que puedan presentar sus modelos. Un ejemplo de esta práctica se presentó en las primeras etapas del programa *Libras de Amor*, en el cual se partió del análisis de las lecciones de programas como *Un Kilo de Ayuda*, desarrollado en México. Esto favoreció a *Libras de Amor*, porque presentó oportunidades de mejora en el diseño del programa, por supuesto, tomando en consideración el contexto y las diferencias culturales que existen en cada país e incluso en cada comunidad.

Finalmente, las iniciativas para la lucha contra la pobreza deben contar con datos e información que permitan tomar mejores decisiones de planeamiento y operación. La realidad de la región es que no se cuenta con muchos datos o estos no son totalmente estandarizados. Dado a ello, los diseñadores de programas se encuentran en ocasiones con brechas de información necesaria para plantear programas dirigidos a resolver los problemas que enfrenta la región en términos de

pobreza y desigualdad. Además, la carencia de datos totalmente estandarizados dificulta procesos de implementación y evaluación de las iniciativas, que serían más efectivos si se contara con información más actualizada y fiel al contexto de la región.

BIBLIOGRAFÍA

Banco Mundial. Página Web. Disponible en:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:22569747~pagePK:148956~piPK:216618~theSitePK:336992,00.html>

Comisión Económica para América Latina y el Caribe (CEPAL). (2000). *Equity, Development and Citizenship*. México City, México. pp. 88-89. Disponible en:

<http://www.eclac.org/publicaciones/xml/5/4425/lcg2071ivp.pdf>

Dréze, J. & Sen, A. (1989). *Hunger and Public Action*. Oxford: Clarendon Press. 373 p.

Herrera, A., Scolnick, H., Chichilnisky, G., Gallopin, G., Hardoy, J., Mosovich, D.; Oteiza, E., De Romero, G., Suárez, C. & Talavera, L. (2004). *¿Catástrofe o Nueva Sociedad? Modelo Mundial Latinoamericano, 30 años después*. (2ª.ed.). Centro Internacional de Investigaciones para el Desarrollo (CIID). Ottawa, Canadá. 162 p.

Miles, M.B. & Huberman, M. (1994). *Qualitative Data Analysis*. California, EEUU: SAGE Publications.

Paes, R., De Carvalho, M., Franco, S., Ganuza, E. & Mendonça, R. (2005). *Crecimiento con Equidad: El Combate contra la Pobreza en Centroamérica*. PNUD. New York, USA. 274 p. Disponible en: http://www.undp.org/latinamerica/docs/Libro_Crecimiento_con_equidad.pdf

Programa de Naciones Unidas para el Desarrollo (PNUD). (1996). *Erradicar la Pobreza: Marco General para la Elaboración de Estrategias Nacionales*. Documento de Políticas Generales. 71 p.

Programa de Naciones Unidas para el Desarrollo (PNUD). (1997). *Informe sobre Desarrollo Humano*. Madrid, España: Mundi-Prensa Libros S.A.

Sen, A. (1984). *Resources, Values and Development*. Harvard University Press. Cambridge, MA., USA. 547 p.

Sen, A. (1999). *Development as Freedom*. Anchor Books. New York, USA. 366 p.

Yacuzzi, E. (2005). *El Estudio de Caso Como Metodología de Investigación: Teoría, Mecanismos Causales, Validación*. Universidad del CEMA. Disponible en:

<http://www.cema.edu.ar/publicaciones/download/documentos/296.pdf>.

Yin, R. K. (1994). *Case Study Research: Design and Methods*. California, EEUU: SAGE Publications.

Información de los Autores

Ana María Majano

Es la Directora Adjunta del Centro Latinoamericana para la Competitividad y el Desarrollo Sostenible (CLACDS) de INCAE desde enero del 2011. Obtuvo su M.A. y Ph.D. en Economía en la Universidad de Tennessee en Knoxville, a la que asistió como becaria Fulbright/LASPAU. Entre el 2007 y el 2010 trabajó como consultora independiente para INCAE y otras organizaciones internacionales, principalmente en temas de energía y medio ambiente. Entre agosto del 2002 y mayo del 2002 fue Directora de Cooperación Externa y Directora Ejecutiva del CLACDS en INCAE. Previamente se desempeñó como funcionaria en varias entidades públicas y privadas de El Salvador y catedrática en universidades privadas de ese país.

Jorge Vinicio Murillo

Es profesor de Gerencia en la Universidad EARTH y Gerente de Proyectos e Investigador Senior en INCAE Business School en Costa Rica. Sus investigaciones incluyen estudios de competitividad, responsabilidad social empresarial, asociatividad de pequeñas empresas y estrategias del sector agroindustrial en Latinoamérica. Obtuvo una Maestría en Administración de Empresas y una Concentración en Desarrollo Sostenible en INCAE Business School. Se graduó con honores como Licenciado en Ingeniería de Alimentos en la Universidad de Costa Rica y ha recibido capacitación en el área de Investigación en Negocios en la Universidad de Harvard. Actualmente cursa un M.Sc. en Empresarialismo en Hough Graduate School of Business en la Universidad de Florida al que asiste como becario Fulbright/LASPAU.

**Teachers as Mentors:
Experience-Based-Learning at the Base of the Pyramid
(an exploratory essay)**

*Urs Jäger, Guillermo Cardoza, Luis Umaña-Timms
(All from INCAE Business School)*

Abstract

Large-scale societal challenges, like poverty and exclusion, raise a discussion about the andragogical approaches and the societal role of business schools. Although the discussion on the role of businesses in addressing Base of the Pyramid's (BoP) market needs is increasing, we know of few firms that successfully work at the BoP. The insufficient knowledge about BoP markets is a challenge for firms and for management teachers. Obviously, by including the BoP in their courses, management teachers enter a new and unknown empirical field. They can refer only to few theories and case studies and thus they will likely need to work with didactical innovations that include practical challenges and, therefore, students' practical experiences. But to include practical challenges, like the ones existing at the BoP, is a difficult task for management teachers. In this article we discuss teachers' challenges resulting from including the practical context of BoP into management courses. We introduce the andragogical approach of experience-based-learning as a promising entry point to structure business school courses that intend to incorporate BoP issues into the curriculum. We reflect on why experience-based-learning matters for BoP courses and what the consequences for the role of teachers are. We conclude by presenting a course we will be offering in summer 2014 at INCAE Business School in Nicaragua as an illustrative example.

Key words: BoP, experience-based-learning methods, teachers' role, teaching and learning paradigms, andragogy, business school and societal challenges

INTRODUCTION

Large-scale societal challenges, like poverty and exclusion, raise a discussion about the andragogy of business schools and their societal role (Chia, 1996, 2005; Donaldson, 2005). Academics question the effectiveness of management education programs in developing leadership and teaching sound management practices. They criticize the effectiveness of the context of classroom-based management education (Allio, 2005; Doh, 2003; Raelin, 1993) and argue business schools would become more and more irrelevant since they teach the wrong content with the wrong methods to the wrong students (Bennis & O'Toole, 2005; Mintzberg, 2005). Consequently, they observe business schools to have limited connections with societies and to generally lose their societal function in training leaders and managers (Ilie, Cardoza & Hugas, 2014).

In particular, some commenters question that students can be prepared for making business at the interface of formal markets and the BoP by the traditional learning methods of reading journal articles and studying case studies⁺. For instance, in an INCAE commercial video a Swiss professor argues that rather than classroom-teaching, students need to undergo field experiences in order to be able to really understand the challenges of informal markets. Classroom teaching is obviously not enough when it comes to the challenges faced by more and more companies of doing business with and in informal markets (Khanna & Palepu, 2006).

Another example is Harvard Business School, which sends students to consult companies in emerging countries to teach them how to make business at the BoP. As the dean argues in a video, students need to experience their capabilities in order to bring about change. In a similar vein, during the Master of Strategy and International Management Program at the University of St. Gallen, students need to execute a social project in an emerging country to gain experiences in how to act and manage in these extreme contexts. Sometimes these experiences even turn into concrete and sustainable social initiatives like “Liter of Light”, a student’s initiative related to the University of St.Gallen that became a growing international nonprofit. Also the United Nations works with different business schools on a master program to include BoP into mainstream education. They focus on developed and developing countries and try to collect case studies available on BoP issues. These examples show a tendency in business schools to include experiences of informal markets and poverty into their curriculum.

Practitioners, researchers, consultants and authors accompany business schools in this endeavor. Some introduce normative positions to argue whether a firm should enter BoP-markets or not. For instance, proponents of the corporate social responsibility (CSR) concepts have high expectations (Lee, 2008). Some argue that because of their resources and capabilities and for ethical concerns firms have the duty to support poor people. These proponents are likely the ones that also call for more ethics courses in business schools. Others posit that firms should focus on their financial business in formal markets and leave the work of poverty alleviation to nonprofits and politicians (Karnani, 2010). Those faculties likely focus on the top 10% of the emerging countries or the developed countries only and exclude the immense part of informal markets.

Taking a more down-to-earth point of view, we argue that it is still too early to propose which role firms could play in the global challenge of poverty alleviation at the BoP. What we already know is that many firms are challenged by informal markets (Banerjee & Duflo, 2011; S. L. Hart, 2010b). But they are not prepared for doing long-term business in informal markets due to characteristics like poverty, institutional voids, corruption and criminality, that are uncommon and strange for the mostly western or local managers. Although the discussion on BoP is increasing, we know of few firms that successfully work at the BoP.

The insufficient knowledge about BoP is a challenge both for firms and for management teachers (Ciravegna, 2013). Traditionally, management researchers base their work on practical innovations. Like all social sciences, management science also depends on practical developments and, as a rule, works with best practices and cases. As only few firms show best practices at the BoP and as significant management knowledge in informal markets is still missing (Godfrey, 2011), it is hard for management

⁺ In this article we use BoP and informal markets as synonyms.

teachers to develop theory and identify best practices to include solid BoP training into their programs. Obviously, by including the BoP, management teachers enter a new and unknown empirical field. They can refer only to few theories and cases and thus they will likely need to work with didactical innovations that include practical challenges and, therefore, students' practical learning experiences.

But to include practical challenges, like the one at the BoP, is a difficult task for teachers. This is hard because it touches their basic assumptions about learning. In essence, we understand learning as recognizing a previously unknown issue or changing the existing knowledge about a known issue to identify problems, understand challenges and solve problems. Looking further into this action, learning is based on assumptions about the relation between the student and the issue that he or she learns (Dieter Euler & A. Hahn, 2004). To learn is ultimately a question of how the teacher and the students assume their relation to the world in an epistemological sense.

To explain what we mean we differentiate two types of teachers. These types are conceptually different; but in teaching-practice we assume that many teachers fit more or less into one type or another. Most business school teachers follow a positivistic worldview. For simplicity we call these P-teachers. P-teachers hold all the strings in their hands. They look for the objectively best teaching methods to present the students the objectively accessible knowledge. This can be done by presentations or open discussions with all students. P-teachers tend to assume homogeneity in the cultural context of global problems and always have the final solution – also culturally homogeneous – at hand and would hardly assume a student's experience to be valid as such. It is only valid if the student can introduce an example to illustrate a theoretical issue.

In this article we follow the thesis that teachers who are able to validate students' experiences share another perception. These teachers often follow a constructivist worldview. For that reason we call them C-teachers. C-teachers do not assume the existence of an objectively accessible knowledge. Reality is rather the result of a construction of an individual or a community (Hosking, Dachler, & Gergen, 1995). C-teachers assume that learning is the comparison of the student and the constructed knowledge about an issue before and after the learning process. The student him/herself is thus part of the learning process, not the object only. The student's presuppositions and the cultural context within which these developed are placed at the center, and the object of learning is the student's self in relation to the learning issue, in our case the BoP.

In this article we take the perspective of C-teachers and discuss the teachers' challenges of including the real context of BoP into management courses. We discuss the challenges teachers face when working with teaching materials on the BoP and introduce the didactical concepts of experience-based-learning as a promising entry point to structure business school courses that intend to include poverty issues into the curriculum (D. Euler & A. Hahn, 2004). We reflect on why experiences matter for BoP courses and what the consequences for the role of teachers are. We conclude by presenting a course we will be offered in summer 2014 at INCAE Business School in Nicaragua as an illustrative example.

INSUFFICIENT TEACHING MATERIALS ON BOP

For at least two reasons, it is difficult for management teachers to teach BoP issues: the phenomena of the BoP are difficult to access as just little parts of them can be understood through the lens of extant management and economic theories; furthermore, the theories available are still not enough to understand the large-scale, highly complex challenges.

Difficult accessibility from a management perspective

The good news is this: management teachers have fewer and fewer challenges to legitimize the need to teach BoP as the estimated size of emerging countries' informal markets is rather big. For instance, for India, Raveendran (Raveendran, 2006) found that in 2006 the informal market size in relation to the GDP of the formal markets was around 92%; for 2011, ILO estimated that just the non-agricultural work force in informal markets – including persons with informal employment such as domestic servants, was up to 70%: in Mexico it was about 55%, in Costa Rica it was about 48%, and in Brazil it was about 42% (Statistics, 2011). In addition, many emerging countries are challenged by a structural gap between the formal and the informal markets (London, Anupindi, & Sheth, 2010). More and more countries such as India invest in their infrastructure to reduce this gap (Sathe, 2011). These tendencies support management teachers to argue that students need to learn about managing at the BoP. But their challenge starts when they have to explain the phenomena from a management or economic perspective, especially if the latter was constructed with first-world paradigms and is detached from the true context of BoP.

The bad news is that informal markets follow rules that are poorly understood. It is for that reason that management and economic theories can explain only insufficiently the highly complex phenomena. Informal market institutions and participants are not taxed, monitored by any form of government, included in any gross national product data (GNP) (S. L. Hart, 2010a; London & Hart, 2010a; Prahalad, 2009), or granted access to their country's legal framework. Thus not only do the rules of formal markets fully apply, but the informal characteristics of these markets tend to perpetuate said informality (de Soto, 2011). In many of the informal markets negotiations are just oral; a contract is rather symbolic because the institutions to sue for fulfilling the obligations by the parties are either missing or weak; competition is low because of community bonds; money is not valued as in formal markets (London et al., 2010), and many of the estimated 4 billion poor people in a world population of 7 billion (Hammond, Kramer, Tran, Katz, & Walker, 2007) work in the poorly-understood informal markets.

Facing these social realities, particularly P-teachers who focus on what they know about management and economy often have a hard time describing and explaining practical management challenges at the BoP. Common management knowledge seems unable to explain and understand informal markets at the BoP. Typically, many management concepts and instruments are based on the assumption of a formal market with liable contracts, rule of law, property rights, working market institutions, competition, and market value of money. Informal markets do not follow these assumptions. The profound differences in values and structures of formal and informal markets make management courses at the interface of these markets highly complex, and many teachers feel overburdened.

Little knowledge about the BoP

Despite the large need for information about the BoP, from a management perspective little is known about how firms can implement strategies in informal markets and many firms are still testing how to deal with this challenge (London & Hart, 2010b).

Nevertheless, the discussion in the management field on the Base of the Pyramid has already been going for more than 20 years and dates back to the 90s. In those days, Hart (S. Hart, 1995)

introduced environmental issues into the resource-based view on strategy. Shortly afterwards, he published an article on what he called “beyond greening” (1996). He argued that there are two types of sustainable strategies: Greening strategies follow the logic of continuous improvement by reducing negative social and environmental impacts; beyond greening strategies, on the other hand, aim at creative destruction by disruptive, clean technology innovation and more inclusive business models to serve the poor at the base of the income pyramid. Recently, scholars extended the environmental perspective of the resource-based view with a cultural (social) lens (Maurer, Bansal, & Crossan, 2011). In this extended understanding, the resource-based view includes social, environmental, and economic resources into its perspective, similar to the triple bottom line, that includes all three dimensions in terms of values instead of resources (Elkington, 1998).

Although “greening strategies” dominated the discussion in the past years, we see increasingly more “beyond greening” strategies emerging (Prahalad, 2009). In particular, the discussion on “Social Innovation” tries to capture this development as it focuses on a “complex process of introducing new products, processes or programs that profoundly change the basic routines, resources and authority flows, or beliefs of the social system in which the innovation occurs” (Westley & Antadze, 2009, 2). In relation to the content of Social Innovation, there are at least three streams of literature emerging. The first focuses on innovations by changing awareness. For instance, when the poor were described as customers — and not just as economically and otherwise disadvantaged people (see for instance C. K. Prahalad's book “The Fortune at the Bottom of the Pyramid” (Prahalad, 2009)) – businesses discovered the poor as opportunities for making business. Other authors focus on institutional voids. According to them, there is potential for new business opportunities that so far cannot be pursued because the institutions required for a working market are missing (Mair, Marti, & Ventresca, 2012). A third field focuses on social innovation pursued by companies that develop new skills, new technologies and radical innovation (S. L. Hart, 2010a).

These are just some examples of research streams on the BoP. It is promising for management teachers, as increasingly large numbers of researchers focus on the rising challenge of making business in developing countries and their large informal markets (Ciravegna, Fitzgerald, & Kundu, 2013; Godfrey, 2011). In this field, one of the key discussions has to do with the role of the poor. They are considered customers (Prahalad & Hart, 2002), entrepreneurs (Kistruck, Webb, Sutter, & Ireland, 2011), or suppliers from informal markets that sell their products to formal markets (London et al., 2010). All these definitions have in common that they redefine the poor as actors in a market who intend to become part of formal markets.

Although researchers share this assumption and more studies emerge, we might compare the current BoP discussion with Henry Ford, when he sold his cars in black only assuming that all customers wanted black cars. Today, the car industry is based on highly individualized marketing techniques. But researchers and teachers likely handle the informal market like Henry Ford treated his clients in those days. We talk about the BoP as if it were a homogenous field although we are talking about billions of people in the world. An alternative to teach generalizing concepts is to enter the BoP with students and directly gain situational and real-world experience.

EXPERIENCE-BASED-LEARNING AT THE BOP

From its beginning, management education has been defined as an application-oriented discipline. Actually, it should therefore not be a big challenge to include practical experiences at the BoP in management courses. But over the years, facing the pressure of presenting management as a science and in view of the career need of publishing in academic journals, an increasing number of teachers lost their practical orientation. After the world economic crisis of 2008, business schools were considered part of the problem rather than of the solution, and many management scholars re-called the practical roots of their discipline. In particular Mintzberg's position became prominent. He called for a management training that systematically supports students to collect and reflect management experience (Mintzberg, 2005). Similarly, Raelin (1993, 2007) advocates the necessity of developing a theory of practice using both theory to challenge management assumptions and experience by using real problems that participants encounter in their jobs. Professionalization in management, which is what any training aims for, is thus characterized by the practice of reflecting what the manager does (effectiveness) and how he or she can do so (efficiency) (Drucker, 2007/1955). Along the same line, Pfeffer and Fong (2002) suggest that business schools should focus research on phenomena and problems of enduring importance, and build curricula that are evaluated, in part, by how well they actually prepare students to be effective in practicing the profession (Pfeffer, 2009).

All of these authors call for strengthening experience-based-learning methods that start with the notion of "change is learning" and "learning is change", or in a more general sense, "life is learning" and "learning is life" (Chia, 2003). From this perspective, every dream and every daily practice appears to be a learning experience. The question is less when someone learns. Rather, the following applies: it cannot be not learned (Chia, 2003). Learning is no longer a skill that must be learned but a skill everybody has from birth on. It is an open-minded curiosity about life. Humans can therefore lose their ability to learn, what mostly happens in the process of education. We forget how to learn by incorporating certain rules and routines that make us perceive phenomena and situations as unquestionable.

In an environment like business schools, that celebrates rational-based learning and education, it is hard to incorporate childlike experience-based-learning. Nevertheless, scholars promoting experience-based-learning call for a non-rational attitude. According to them, management is a profession (Mintzberg, 2005) that cannot be learned in a university, such as engineering. Effective management is, in their view, context-driven (Pettigrew, 1985).

Consequently, from this perspective, generally valid concepts or "best management practices" do not exist. Management is rather a product of art, craft, and science (Mintzberg, 2005). It is equated with the skill to be able to act effectively from experience in a (chaotic) situation (Chia, 2005). Having this skill is equated to having the right mental software (Hofstede, 2005) to navigate the context within which the given situation takes place. Experience-based-learning must incorporate non-economic cultural variables to make some sense out of chaos.

Obviously, to implement an experience-based-teaching approach is demanding. But without having enough theoretical knowledge on management at the BoP, as shown before, teachers have almost no choice but to include practical experiences at the BoP.

TEACHERS ROLES WHEN TEACHING MANAGEMENT AT THE BOP

Although we know little about management theories and concepts at the BoP, we know at least this: a possible alternative to using BoP management theories and concepts in class is the inclusion of BoP-real-life settings, but those are highly complex. Examples of BoP-real-life settings are live-case studies, when a teacher invites a manager to explain the story of his company in front of his or her class, or field trips to companies with managers' presentations, guided tours within the facilities, and internships or empirical work. As a rule, if teachers include one or the other methods of experience-based-learning they need to manage higher complexity than in their traditional role as knowledge-transmitter. Dealing with the highly complex BoP raises this complexity even more.

The following matrix structures the different learning paradigms and learning issues on the BoP, as introduced before, and defines the different and typical roles of the teacher in each of the four fields. Those roles are a typology, as in practice teachers often play two or three roles at the same time.

		Learning Paradigms	
		Knowledge-Based Learning (P-Teacher)	Experience-Based-Learning (C-Teacher)
Learning Issues on Base of the Pyramid	Real-life settings	Analyst (e.g., teaching case on firms operating at the BoP)	Mentor (e.g., Design Thinking at the BoP)
	Theories/Concepts	Lecturer (e.g. presentation on informal market theories)	Moderator (e.g. BoP tourism)

Teachers as Lecturers

As there are already some management theories and concepts available, it makes all the sense for teachers to play the traditional role of lecturers. However, current research and knowledge on the BoP shows the limits of lecturing. From a management perspective teachers can explain only few parts of the management challenges at the BoP; and reverse, having learned economic or management theories and concepts, students can understand or explain only a few of those phenomena. Therefore, it makes sense to get beyond the management perspective. Teachers might, for instance, include anthropological theories into their class just like firms hire anthropologists to work with their strategy experts on solutions for the BoP (S. L. Hart, 2010a).

Another reason for extending the theoretical lens is the relatively rare availability of empirical insights and data on the BoP. In view of the high complexity, diversity, and size of the BoP it is obvious that professionals need insights from further research. But many BoP teachers cannot wait for those and need to find ways to include BoP issues in their courses, in spite of scarce theories and concepts.

Teachers as Analysts

Most business school teachers work with case studies. They support them to introduce students to real-life situations in order to provoke a richer discussion on the complexity of managers' every-day work. Teachers provoke discussions between the students and help them analyze the case study in its essential questions. As students need to analyze cases and teachers support them in this analytical practice, we call these teachers "Analysts". Although they act like quasi-moderators in the discussion between the students, the main goal is to analyze the case study.

As a rule, business schools have their own databases of case studies and international databases like the European Case Clearing House have a variety of products. But, like most journal articles have a very low citation rate, also most teaching cases are rarely used in class. Teachers often have their favorite cases they use for years, but this is only a handful. Nevertheless, as in the case of the rare management theories and concepts of BoP topics, only few scholars write real BoP cases.

For instance, the Global BoP-Network of Stuart Hart, that includes researchers and consultants all over the world, argues that, in Latin America few companies have real activities at the BoP. Our analysis is different: companies are not missing; rather, what is lacking are teachers who write teaching cases on the existing firms and their BoP activities. A reason why those cases are missing could be this: as a rule, teaching cases focus on a theory or concept-based teaching notes. The story on the manager and the firm is thus used to make the students explore a previously defined management concept. But if those theories and concepts are missing, teachers likely write BoP-cases with a rather traditional management lens. Consequently, they lose the essence of BoP-management challenges, or they write case studies without theoretical or conceptual references for their personal use only; according to the international research standards, those cases cannot be published although they might be useful for the understanding of the BoP. In a workshop at the United Nations, a group of business school teachers recognized this shortcoming and started a collection of BoP-cases, regardless of their theoretical or conceptual framing.

Using the rather traditional BoP-cases is an option but it needs enrichment to include the complexity of the BoP. One of the authors made the following experiment: he used one of those BoP-cases that present a traditional corporate strategy concept during a class in Switzerland and included a Skype interview by the students with a representative of the BoP organization described in the case. This interview changed the discussion deeply. Before, the students were rather critical of the economic opportunities at the BoP; afterwards, they started to argue that people at the BoP are market actors with less opportunities, but they are common market actors nevertheless. Based on this assumption they developed creative solutions on the case that included inverse innovations.

Teachers as Moderators

Including experience-based-learning into courses on the BoP requires teachers who focus more on the students' actions and their reflections, rather than on transmitting knowledge only. Knowledge-based training, that is grounded on functions like controlling, financial economics, marketing, etc., is replaced by a more contextual- and situational-oriented training (Mintzberg, 2005).

In recent years, we observed how more and more business schools from the United States offer their students costly field trips to emerging countries in Latin America over several days or even weeks.

Teachers accompany their class from the US to visit firms and experts within an emerging country. As we saw in our own experience, many of those teachers are experts in BoP or Corporate Social Responsibility. But most do not have cultural experiences with the emerging country or knowledge about its businesses, markets or BoP. Those teachers are therefore in the same situation as their students: they undergo a first-time experience within the country with firms and listen to new information. In contrast to what we earlier called P-teachers, in these courses effective teachers are likely C-teachers. They work in the context of the foreign firms and cultures together with their students and support their students in order to moderate the process of sense making about their experiences on the spot. As a rule, they do not have more knowledge about the learning object than their students do. This makes this learning-teaching setting highly complex.

It is likely because of this complexity that most of those courses focus on firm visits and lectures by local experts. Not including theories and concepts on the firms, markets, and societies of the visited country and using management theories and concepts from their home-country, those courses likely become a tourism event and fail to exploit the whole learning potential offered by these expensive visits.

Teachers as Mentors

Not only teachers lack enough management theories and concepts to lecture on BoP issues but also they do not have enough case studies on BoP-firms available to support students in their analytical process. On the other hand, field trips to the BoP without adequate knowledge are helpful but might be inefficient as they do not exploit the learning potential offered by those costly events.

Another option is course designs where teachers include experience-based-learning and real-life settings at the BoP. The downside of these settings is the huge complexity teachers have to manage. At the BoP, students will likely undergo extremely strange experiences, which require moderating students in life-centered topics. Learning is therefore primarily oriented to practice. Starting from this, students develop innovative ideas, going beyond the boundaries of scientific disciplines (Chia, 1996). Teachers have no more time to prepare for those highly complex, practical situations. They must act didactically and effectively in the situation, and cannot merely select those aspects where they are experts. They are confronted with the BoP-practice as it is: strange, complex, dynamic, multidimensional, culturally diverse, and not holding on to disciplinary boundaries or teachers' expertise.

Because of this complexity teachers prepare themselves for unexpected confrontations with real-life situations in a teaching-learning setting. Like managers, they are able to interpret the situation on the spot and to support students to make sense of it, in relation to their learning experience. Their role is rather that of a mentor who focuses on the personal development of students within their BoP experience. They are hardly able to lecture, as they are not prepared for unexpected situations. They cannot analyze the situation, as they do not have the time to gather all information; real-life situations change quickly. Neither can they moderate the learning experience of the students as they do not have the time to prepare knowledge to structure the learning process.

Teachers who decide to include this complexity into their class need to invest lots of extra time and to have the courage to leave the area of their expertise. It might be because of these big challenges teachers face that up to now only few business schools, including INCAE, have really entered the BoP that way.

TEACHING MANAGEMENT AT THE BOP: AN INCAE COURSE OUTLINE

INCAE is well known for its mission to train future leaders committed to societal development. It is currently restructuring its Master's programs in a way that will allow leaders in key sectors of society to improve their knowledge of best practices, competencies, and values through experience-based-teaching methods like action learning.

Below we present the BoP-Challenge Workshop as an illustrative example of the various teachers' roles. It focuses on students' entrepreneurial and responsible leadership capabilities and on shared value solutions (Porter & Kramer, 2011) at the interface of international markets and the base of the pyramid (S. L. Hart, 2010b). It uses design thinking as a method to educate students in ethno-methodological research practices and a live case to bridge the gap between the classroom and the real world situations of entrepreneurs at the base of the pyramid.

The workshop is designed for 88 first-year students of INCAE's MBA Program in Nicaragua to conclude a module of the new INCAE Master's Program called "Creating Value for All". This module includes courses on Ethics and Society, Corporate Social Responsibility, and Sustainable Development. In the last week of this module, the students will be participating in the workshop by applying two methodologies: The first is "Design Thinking (DT)" an anthropological approach to identify, develop and test solution to existing problems and needs. Over the years DT has attracted huge interest from teachers by proposing that business people can learn from designers how to solve problems in an innovative way. It is a form of solution-focused thinking starting with a goal, not with a problem. It thus provides room for creative thinking and to follow different solutions at the same time. The second method is "Business Model Innovation (BMI)", a practical framework for defining business models based on the essential components of a business such as partners, activities, resources, value proposition, customer relationships, sales channels, customer segments, cost structures, and revenue streams.

Students use both methods to develop solutions to problems at the BoP. At the end of the workshop, the participants will present their proposed solutions to a jury made up of managers from the firm in the case study, representatives of the BoP, and experts on shared value and BoP. The students will learn about methods of entrepreneurship and will gain experience that will impact their perception of responsible leadership.

The teaching-learning goal of the workshop is threefold. The students (a) will apply the knowledge they acquired in the module "Creating Value for All" (Ethics and Society 1 & 2; Corporate Social Responsibility, and Sustainable Development) to a real-life case of a company whose core business is at the BoP; (b) they will learn the "Design Thinking" and "Business Model Innovation" methodologies and will adapt them to a real-life case, and (c) they will participate in a business case generating innovative business solutions that meet the basic needs of a company operating at the BoP.

The course focuses on a teaching case about a company in the milk business that buys milk from poor farmers and sells it in the international market. The key challenge of the CEO addressed in the case is described as follows: "You need to imagine our milk producers live in the 17th century whereas our company operates in the 21st century." The students need to find solutions for the company to become able to work efficiently and effectively in its downward value chain with the milk suppliers and they must bridge at least a 200-year gap in economic development.

We structured the course over five days and – since we are offering this course for the first time ever – we reduced the complex role of teachers as mentors to one day; however, throughout the week course leaders will be required to play the four different roles of lecturers, analysts, moderators and – as mentioned above – mentors. The students must prepare for the workshop by reading the teaching case and the introductory papers on Design Thinking and Business Model Innovation.

Courses of the Module	Day 1	Day 2	Day 3	Day 4	Day 5
Ethics and Society 1 & 2; Corporate Social Responsibility; Sustainable Development	Introduction			Lecturer: Explanation of Business Model Innovation	Analyst: Presentation of the results in panel: Two groups will gain
	Lecturer: Case presented by the CEO	Mentor: Field trip to BoP	Analyst: Groups analyze their observation: critical factors	Analyst: Groups work with BMI to create innovative solutions	
	Lecturer: Explanation of Design Thinking				
	Lunch				
	Moderator: Training to use Design Thinking	Mentor: Field trip to BoP	Analyst: Groups analyze their observation: Patterns	Analyst: Groups work on their final presentations	Analyst: Presentation of the results in panel: Two groups will gain
Moderator: Groups prepare field trip to BoP		Analyst: Groups analyze their observation: Solutions		Mentor: Final discussion in Fish Bowl	

Day one focuses on the preparation of the workshop through lectures in the morning and training in the afternoon. After the introduction and building nine student teams of about 10 students each, together with the teacher, the CEO of the case will present his case and will explain the task to the students. Afterwards, the teacher will give a lecture to explain the key principles of Design Thinking (DT) and in the afternoon the students will be trained on the process of DT through a practical example.

The DT process starts with defining the task as – in the teaching case of the course – finding solutions to bridge the gap between the producers with a low degree of development and the highly developed company in order to make the process effective and efficient. The students prepare their field trip by defining what they intend to observe, with whom they intend to talk, and where they expect to find possible solutions. The students thus search for solutions that are already being implemented but that are small and therefore unknown. Typically, in a regular DT-process the participants would develop the solution and immediately try it on the field. For reasons of time we will not be able to implement this part of the process.

On day two the students will take the field trip to the BoP with teachers playing the role of mentors. The whole group drives to a selected region of milk producers, listen to a short presentation from the project leader of the company about the supply chain processes and then the groups will be split to go to different

observation points. During the day the groups will rotate to each observation point and will document their observations in their notebooks.

Day three focuses on analyzing the empirical observations at the BoP and the teachers will support the students as Analysts. The students' groups will analyze their observations in three steps: first, they will define a list of critical observations to reduce the complexity of the reality to the essential phenomena; second, they will search for patterns in their observations to define rules and structures at the downward value chain, and finally, they will develop a list of solutions they saw. These three steps are ideal as the students are free to break this structure and to start with the solutions or to work on all three steps at the same time.

The next day students will work on creating innovative solutions for the case and in developing the final presentation. In the morning lecture the teachers will explain the Business Model Innovation concept. Based on this structure, the students' groups develop innovative business solutions for the case. In the afternoon, they will have enough time to prepare for the presentation they will make the following day. The teachers will support the students by playing the role of analysts as needed.

Finally, during the last day the students will present their results to a panel of representatives of the BoP, the company, and experts of the BoP. In the morning, there will be two parallel sessions at the same time to reduce the number of presentations. In each session two winners will be selected. In the afternoon, the winners from the morning will make a second presentation to all participants. Finally, the panel will select the winner of the BoP-Challenge Workshop. The teachers will play the role of analysts evaluating the results presented by the students. The course will end with a final discussion including all different groups such as representatives of the students, the BoP, the company, and the faculty. Basic topics will be discussed including what does the BoP mean for my future career? What ethical issues we need to address? To include as many participants as possible in the discussion, we will organize a Fish Bowl with an inner circle of debaters and an outer circle of participants. The discussions will be structured according to different topics with each topic starting with a discussion of the inner circle and then opening for the outer circle to participate. We will end with a summary of the key takeaways from the representatives of the key participating groups: students, managers, BoP-market actors, and faculty members.

Although we have not yet offered this course and are aware of the fact that the important experience from implementation is missing, from the INCAE example we deduce three key insights for teaching at the BoP:

a) It makes sense for teachers who teach courses on managing at the BoP to use a multi-methodological approach. As we do not know much about the BoP but need to work with the teaching materials available, teachers can add small real-life experiences from the BoP to the class. This does not need to be a visit to the field, as in the illustrative case above. An interview by Skype with a market actor from the BoP can increase the quality of the students' discussion.

b) Including a field trip to the BoP can become just a tourism experience. Based on our analysis and our experience, teachers can reduce this risk in two different ways: on the one hand, it makes sense to include a local university from the emerging country to provide knowledge about the emerging country's markets, society, and BoP to be included into the overall course and to get access to interesting firms and BoP examples from the area. On the other hand, a field trip with all students to work with the BoP market

actors needs to be carefully prepared. Teachers must prepare themselves for their roles as mentors; the case needs to be outlined for the course, in particular as the managers of the firm and the BoP actors are involved; and the field trip with the students must be prepared during the course in cooperation with the students themselves.

c) A BoP-course including a field trip to the BoP with the teacher as a mentor needs to be framed. A direct visit without any preparation can lead to inefficient learning-teaching experiences and risky situations in relation to climate issues. We propose to frame the complex role of teachers as mentors before the BoP-field trip with strong theoretical, case-driven, and methodological preparations in class, and after the field trip with enough time for methodologically-guided reflection.

OUTLOOK: NEED FOR ACTION TEACHING AND LEARNING

To teach BoP issues is obviously a highly-complex endeavor with significant demands for teachers, regardless of their playing the roles of lecturers, analysts, moderators, or mentors. P-Teachers who focus on their knowledge as experts would likely have a hard time to teach as mentors in the field. To lead those sessions, a course leader probably fits the C-Teacher type that is able to act on the spot with highly complex, real-life BoP-phenomena. In any case, as we proposed in the INCAE example, a field trip to the BoP must be carefully prepared both during the planning process and also during the course itself.

Despite that preparation we need to face reality: management courses focus on the learning experience of students. It is therefore difficult to also create value for BoP market actors and firm managers involved in the class. In a further stage, when teachers have learned from different experiences with BoP-field trips, they need to think further about their concepts to further include practitioners from the BoP and the business firms. A possible way to do this is by further exploring how to include action teaching and learning methods in BoP-courses. The goal is to create strong, real, and mutual value for students, BoP actors, and firm managers.

LITERATURE

- Allio, R. J. (2005). Leadership development: teaching versus learning, *Management Decision*, 43(7/8), 1071 – 1077.
- Banerjee, A., & Duflo, E. (2011). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Philadelphia: PublicAffairs.
- Bennis, W., G., & O' Toole J. (2005). How business schools lost their way. *Harvard Business Review*, 83(5): 96-104, 154.
- Chia, R. (1996). The teaching paradigm is shifting in management education: University business schools and the entrepreneurial imagination. *Journal of Management Studies*, 33(4), 409-428.
- Chia, R. (2003). From knowledge-creation to the perfection of action: Tao, Basho and pure experience as the ultimate ground of knowing. *Human Relations*, 56(8), 953-981.
- Chia, R. (2005). The Aim of Management Education: Reflexions on Mintzberg's Managers not MBAs. *Organization Studies*, 26(7), 1089-1109.
- Ciravegna, L. (2013). The Silicon Valleys of Latin America – searching for “Shared Value” development models. *The European Business Review*, January-February.
- Ciravegna, L., Fitzgerald, R., & Kundu, S. (2013). *Operating in Emerging Markets: A Guide to Management and Strategy in the New International Economy*: FT Press.

- Doh, J.P. 2003. ¿Can leadership be taught? Perspectives from management educators, *Academy of Management Learning and Education*, Vol. 2, Iss. 1, pp. 54-67.
- Donaldson, L. (2005). Questioning Mintzberg's Educational Philosophy: Critical Comments on Managers not MBAs. *Organization Studies*, 26(7), 1098-1104.
- Drucker, P. F. (2007/1955). *The Practice of Management*. Oxford: Butterworth-Heinemann.
- Elkington, J. (1998). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*: New Society Publishers.
- Euler, D., & Hahn, A. (2004). *Business Didactics (Wirtschaftsdidaktik)*. Bern, Stuttgart, Wien: Haupt.
- Euler, D., & Hahn, A. (2004). *Economy Didactics / Wirtschaftsdidaktik*. Bern / Stuttgart / Wien.
- Godfrey, P. C. (2011). Toward a Theory of the Informal Economy. *The Academy of Management Annals*, 5(1), 231-277.
- Hammond, A., Kramer, W. J., Tran, J., Katz, R., & Walker, C. (2007). *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid (Vol. March 2007)*: World Resource Institute.
- Hart, S. (1995). A Natural-Resource-Based View of the Firm. *Academy of Management Review*, 20(4), 986-1014.
- Hart, S. (1996). Beyond Greening: Strategies for a Sustainable World. *Harvard Business Review*, 64-76.
- Hart, S. L. (2010a). *Capitalism at the Crossroads: Next Generation Business Strategies for a Post-Crisis World*. New Jersey: Prentice Hall Pearson.
- Hart, S. L. (2010b). Taking the Green Leap to the Base of the Pyramid. In T. London & S. L. Hart (Eds.), *Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value* (pp. 79-102). New Jersey: FT Press.
- Hofstede, G., Hofstede, G.J. (2005). *Cultures and Organizations, Software of the Mind*, McGraw-Hill, 2005.
- Hosking, D.-M., Dachler, P., & Gergen, K. J. (1995). *Management and Organization: Relational Alternatives to Individualism*. Aldershot et al.
- Ilie, C, G. Cardoza & J Hugas. 2014. Designing leadership development programs (ldps) for high impact: towards an integrative approach, Working paper, INCAE.
- Karnani, A. (2010). Failure of the libertarian approach to reducing poverty. *Asian Business & Management*, 9(1), 5-17.
- Khanna, T., & Palepu, K. G. (2006). Emerging Giants. *Building World-Class Companies in Developing Countries*. *Harvard Business Review*, October, 60-69.
- Kistruck, G. M., Webb, J. W., Sutter, C. J., & Ireland, R. D. (2011). Microfranchising in Base-of-the-Pyramid Markets: Institutional Challenges and Adaptations to the Franchise Model. *Entrepreneurship Theory and Practice*, 503-531.
- Lee, M.-D. P. (2008). A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International Journal of Management Reviews*, 10(1), 53-73.
- London, T., Anupindi, R., & Sheth, S. (2010). Creating mutual value: Lessons learned from ventures serving base of the pyramid producers. *Journal of Business Research*, 63, 582-594.

- London, T., & Hart, S. L. (2010a). A Continuing Journey Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value (pp. 217-232). New Jersey: FT Press.
- London, T., & Hart, S. L. (2010b). Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value. New Jersey: FT Press.
- Mair, J., Marti, I., & Ventresca, M. J. (2012). Building Inclusive Markets in Rural Bangladesh: How Intermediaries Work Institutional Voids. *Academy of Management Journal*, 55(4), 819-850.
- Maurer, C. C., Bansal, P., & Crossan, M. M. (2011). Creating Economic Value Through Social Values: Introducing a Culturally Informed Resource-Based View. *Organization Science*, 22(2), 432-448.
- Mintzberg, H. (2005). *Managers not MBAs: A hard look at the soft practice of managing and management development*. San Francisco, CA: Berrett-Koehler Publisher.
- Nevins, M.D., & Stumpf, S., A. (1999) 21st-Century Leadership: Redefining Management Education. *Strategy+Business* (3rd Quarter), 1-11.
- Patton, M. Q. (1987). *How to Use Qualitative Methods in Evaluation*. Newbury Park: Sage.
- Pettigrew, A. (1985). *The awakening Giant. Continuity and Change in ICI*. Oxford, New York: Basil Blackwell Inc.
- Pfeffer, J. (2009). Leadership development in business schools: An agenda for change. In J. Canals (Ed.), *The future of leadership development: Corporate needs and the role of Business Schools*, New York: Palgrave MacMillen.
- Pfeffer J. & Fong C. (2002). The End of Business Schools? Less success than meets the eye, *Academy of Management Learning and Education*, 2002, 1(1), 78-95.
- Porter, M. E., & Kramer, M. R. (2011). *Creating Shared Value*. *Harvard Business Review*, January-February 2011.
- Prahalad, C. K. (2009). *The Fortune at the bottom of the pyramid*. New Jersey: Pearson Prentice Hall.
- Prahalad, C. K., & Hart, S. L. (2002). The Fortune at the Bottom of the Pyramid. *Strategy + Business*(26), 1-14.
- Raelin, J. A. (2007). Toward an Epistemology of Practice, *Academy of Management Learning & Education*, 6(4), 495-519.
- Raveendran, G. (2006). *Estimation of Contribution of Informal Sector to GDP National Commission of Enterprises in the Unorganized/Informal Sector (Vol. May 2006)*. New Delhi, India.
- Sathe, V. (2011). The World's Most Ambitious ID Project: India's Project Aadhaar. *Innovations*, 6(2), 39-66.
- Soto de, H. (2011). *The Destruction of Economic Facts*. *Bloomberg BusinessWeek*. April 28, 2011. Accessed online July 12, 2014.
- Statistics, I. D. o. (2011). *Statistical update on employment in the informal economy*. Geneva.
- Westley, F., & Antadze, N. (2009). Making a Difference: Strategies for Scaling Social Innovation for Greater Impact. *The Innovation Journal*, 15(2), 1-20.

THE NEED FOR DEEPER ROOTS

MAKING A MISSION-DRIVEN CASE FOR POVERTY RELATED ISSUES IN BUSINESS EDUCATION¹

Michael Naughton, St. Paul, MN, USA

Rachelle de la Cruz, St. Paul, MN, USA

Abstract: We begin our essay with the argument that if universities are to form and educate future business leaders with a disciplined sensitivity to those who suffer from both material and spiritual poverty, they will be most successful when they draw upon a mission that has a deeper root system than generic values or instrumental rationality. Recognizing that mission driven perspectives need to be particular to the university, we provide a rationale of how Catholic universities, of which there are approximately 1800 world-wide, can organically connect business and poverty related issues with their deepest convictions. When rooted in the specific wisdom of their tradition, Catholic universities are able to provide a multi-dimensional notion of the good business does (good goods, good work and good wealth) which reveals the breadth of the contribution of business, and a multi-layered understanding of prosperity and poverty (material and moral/spiritual), which reveals the depth of what is at stake in business. Drawing upon these insights, we connect with actual business courses in the fields of marketing (good goods), management/organizational behavior (good work), and finance/accounting (good wealth). What business education should do for students as well as faculty is not to narrowly confine their understanding of the good, but rather to enlarge the mind so that they can develop an integration of knowledge that prepares them to make intelligent judgments that both work toward their own self-transformation and make the world a better place.

Key Words: Poverty, Prosperity, Business Education, Purpose of Business, Mission-driven Education, Catholic University, Catholic Social Tradition, Marketing, Management, Organizational Behavior, Finance, Accounting

Business is a vocation, and a noble vocation, provided that those engaged in it see themselves challenged by a greater meaning in life; this will enable them truly to serve the common good by striving to increase the goods of this world and to make them more accessible to all.

Pope Francis²

Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.

John Maynard Keynes³

¹ The topic for this paper comes from a conference we are organizing at De La Salle University in Manila, Philippines called "Prosperity, Poverty and the Purpose of Business: Rediscovering Integral Human Development within the Catholic Social Tradition" www.stthomas.edu/manila. We are very grateful to Teresa Naughton, Gene Lacziniak, and Don Briel whose constructive criticisms improved the paper. We are especially grateful to the anonymous conference referee whose suggestions and criticisms were of particular help in revising our paper.

² Pope Francis, Encyclical Letter *Evangelii Gaudium* (2013), 203.

³ J. M. Keynes, *The General Theory of Employment, Interest and Money* (New York, Classic Books America, 2009), 164.

Let us look at the poor not as a problem, but as people who can become the principal builders of a new and more human future for everyone.

Pope John Paul II⁴

Business, like all institutions, have a great capacity for good, but it also can exercise forms exclusion, catering to one particular group at the expense of another. With this very real tension, guiding social principles are needed that can develop rather than simply instrumentalize humanity. In his 1998 address to the World Economic Forum in Davos, Kofi Annan highlights this point:

Let us choose to unite the power of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations. Let us ensure that prosperity reaches the poor. Let us choose an enlightened way forward towards our ultimate, shared goal: a global marketplace that is open to all and benefits all.⁵

Annan's directives seek to encourage a more just and equitable world, however, they also raise a series of difficult questions: Where do these universal ideas and principles come from? What authority are they rooted in? What undermines such principles in business? And with particular interest for business educators: How does one bridge these principles in the curriculum with concrete practices that effectively alleviate poverty and promote prosperity?

These are big questions demanding thoughtful reflection and decisive measures particularly by university administrators and faculty. They are also the questions that must directly engage university students if they are to become highly principled leaders who can make the world a better place. If universities are to form and educate these prospective world-changers, they too must have institutional missions that give concrete expression to such deep-seated principles. Universal principles of justice, dignity, rights, care for the poor, etc. must find specific expressions in the institutional missions and practices of the local culture, especially in education, family and religion; otherwise, such principles are prone to abstraction and eventually become disembodied slogans.

Vaclav Havel, former president of the Czech Republic, for instance, perceived how a campaign for human rights, without a connectedness to a deeper cultural reality, was in danger of becoming a slogan.

Politicians at international forums may reiterate a thousand times that the basis of the new world order must be universal respect for human rights, but it will mean nothing as long as this imperative does not derive from the respect for the miracle of Being, the miracle of the universe, the miracle of nature, the miracle of our own existence. Only someone who submits to the authority of the universal order and of creation, who values the right to be a part of it and a participant in it, can genuinely value himself and his neighbors, and thus honor their rights as well.⁶

⁴ John Paul II, Peace on Earth to Those Whom God Loves! 1 January 2000. http://www.vatican.va/holy_father/john_paul_ii/messages/peace/documents/hf_jp-ii_mes_08121999_xxxiii-world-day-for-peace_en.html.

⁵ Kofi Annan, "Markets for a Better World" UN, Press Release SG/SM/6448, January 30, 1998, <http://www.un.org/News/Press/docs/1998/19980130.SGSM6448.html>.

⁶ Vaclav Havel, "The Miracle of Being: Our Mysterious Interdependence" Reprinted from Sunrise Magazine, October/November 1994, Theosophical University Press, <http://www.theosophy-nw.org/theosnw/issues/gl-hav1.htm>.

Havel's warning to human rights advocates should also be heeded by business educators. If our business education does not participate in a universal order of being, even our good-willed business initiatives such as corporate social responsibility, business ethics, social entrepreneurship, philanthropy, etc., are in danger of mechanical repetition, and eventually, obsolescence. They are prone to fall victim to the syndrome of "cut flowers"; they may look pretty for a while, but cut-off from their moral and spiritual sources, they atrophy and lose life. Without a deeper root system, such ideals, movements and programs have "no integrating forces, no unified meaning, no true inner understanding" to draw upon to sustain themselves.⁷ Particularly at this point of history, universities, with significant economic pressures to move from "higher aims" to mere "hired hands,"⁸ are in need of a robust mission and identity with moral and spiritual roots to guide them. To ignore these higher aims places universities in a perilous position of becoming mere extensions of a market logic. At the heart of the university is the development of culture and in particular the cultivation of the intellect in order to see things in relation to each other that for business education has the capacity to order and humanize the market.

The Association to Advance Collegiate Schools of Business (AACSB), the premier accreditation association of business schools, places great emphasis on the importance of "mission" in its accreditation standards, and in particular, the relationship between the mission of the larger university and the business school. AACSB sees the possibility of the university as a cultural institution, which has the capacity to form business leaders in a set of ideas, experiences, skills, principles and purpose in order to address one's life as a whole rather than separate, compartmentalized and isolated units. While AACSB does not dictate the mission, it does identify the importance of institutional forces within the business school, which carry the intellectual and moral formation to their business programs through research, curricular and co-curricular activities. With the larger university takes on this cultural role, AACSB accreditation standards actually enable the administration and faculty with permission and incentive to include certain issues, such as poverty, in their research and curriculum.

As business educators, we should take to heart Havel's emphasis on the need for moral and spiritual roots and couple it with AACSB's mission driven accreditation standards. In the end, we will see how business schools that are embedded and connected within a larger university mission (especially one that has a social tradition to engage business issues) can be very successful in incorporating poverty-related issues in their programs. In light of this connection between Havel and AACSB, our focus in this paper examines how Catholic business schools might do this— taking into consideration the role of business education as it relates to the university's larger mission and incorporating poverty related issues in its curriculum.

Catholic colleges and universities have three primary resources that provide distinctive and unique interdisciplinary guides to help their business schools ground themselves in a mission rationale of why questions of poverty, inequity and injustice are important to their educational project:⁹

⁷ Ibid.

⁸ See Rakesh Khurana, *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton: Princeton University Press, 2007).

⁹ In a US study researching the comparative advantage of Catholic Colleges and Universities to National Flagship Public Universities, surveys have shown that students attending Catholic institutions experience the integration of values and ethics in classroom discussions 48% more than students attending public institutions. A presentation of these studies can be found at: http://www.accunet.org/files/public/Comparative_Advantage_Summary.pdf. Catholic business schools, however, are not without

1. A Theological and Philosophical Root System: The two principal claims of Catholic higher education are the unity of knowledge and the dialogue and complementary relationship between faith and reason, which offer a distinct cultural vision of the purpose of higher education.¹⁰
2. Social Tradition: Flowing from these two claims are a series of social principles, articulated in the Catholic social tradition, such as the universal destination of material goods, the dignity of work, the social nature of property, subsidiarity, solidarity with the poor, as well as virtues such as justice and practical wisdom, all of which give resources to address poverty related issues in relation to business.¹¹
3. Experience of Poverty: Catholic universities are also part of one of the most significant international networks of social service institutions (Catholic Relief Services, Caritas International, Catholic Campaign for Human Development, Catholic Charities, and thousands of others) that engage in poverty alleviation.¹²

With over 1,800 institutions of higher learning worldwide many of which have some kind of business program, Catholic colleges and universities have heavily invested in the formation of future business leaders. For example, the Philippines has 46 Catholic universities and 241 colleges with the majority having some form of business education.¹³ Out of nearly 250 Catholic universities in the US (educating close to 940,000 students a year), approximately 190 have some form of business program, and for many schools, business is the largest professional degree program.¹⁴

While our paper focuses specifically on Catholic institutions of higher learning, we believe our inquiry is relevant to every institution of higher learning for two particular reasons. The first is that if there is not a strong enough mission driven reason to incorporate poverty issues within the curriculum and research of business programs, the likelihood of their inclusion is significantly reduced. As the PRME Report Fighting Poverty through Management Education indicates, the

their problems. See Michael Naughton, Winter 2009, “A Complex Mission: Integrating the Catholic Social Tradition within Catholic Business Education,” *Journal of Catholic Higher Education*, vol. 28:1. Stephen Porth, et al., “Business Education at Catholic Universities: Current Status and Future Directions,”

<http://www.stthomas.edu/cathstudies/cst/conferences/beccu/Finalpapers/PorthMcCallDiangeloF.pdf>.

¹⁰ See John Paul II, Apostolic Constitution *Ex corde ecclesiae*, 1990,

http://www.vatican.va/holy_father/john_paul_ii/apost_constitutions/documents/hf_jp-ii_apc_15081990_ex-corde-ecclesiae_en.html.

While the relationship between faith and reason may seem to some the most distant issue to the topic of our paper, we believe it is the most foundational question in front of us. When faith and religion are marginalized from a university, it is prone to reduce reason to quantitative and empirical realities and eventually to instrumental use. As the Principles of Responsible Management Education (PRME) Report on Fighting Poverty through Management Education points out, business faculties are increasingly dominated by empirical and instrumental reasoning, who often impede the inclusion of a moral rationality of justice and charity, which marginalizes concerns of poverty and inequality (See *The Report on Fighting Poverty through Management Education: Challenges, Opportunities, Solutions*, 25 <http://www.unprme.org/resource-docs/FightingPovertythroughManagementEducationChallengesOpportunitiesandSolutions.pdf>). Over time, when reason is cut off from a larger transcendent reality, reason is eventually reduced to its instrumental characteristics, which may lead to greater efficiencies but lack of community. This is especially true in business, where the logic of market (which defines value in terms of productivity, acquisitions, and profit) is always seeking a monopoly. Faith is also damaged in the process. When faith and transcendence are cut off from reason, they are prone to emotivism and fundamentalism, which disorder a spiritual path. “Any breach in this dialogue [of faith and reason] comes only at an enormous price to human development” (Benedict XVI, *Caritas in veritate*, 56).

¹¹ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, (Washington DC: USCCB Publishing, 2005), 171–181.

¹² Gaye Burpee, Geoff Heinrich and Rosanne Zemanek, “Integral Human Development: The Concept and the Framework,” <http://www.crsprogramquality.org/storage/pubs/general/IHD%20Brochure.pdf>.

¹³ Archbishop Socrates Villegas, D.D., “The Role of the Catholic Church in the Philippines Today,”

<http://taborasj.wordpress.com/2014/02/13/the-role-of-the-catholic-university-in-the-philippines-today/>

¹⁴ Association of Catholic Colleges and Universities, <http://www.accunet.org/i4a/pages/index.cfm?pageid=3797>.

topics of “poverty and inequality ranked next to last out of 14 responsible management topics for undergraduates.”¹⁵ While there are multiple reasons for this lack of engagement—overcrowded curriculum, distorted incentives, functional specialization, lack of interest by students, quantitative dominant research, etc.—poverty related issues will struggle to find a place in business education without a more robust mission driven rationale.

The second reason is that every university, whether faith-based or secular, can draw upon the liberal arts to productively engage business/poverty related issues. A “business case” rationale is not sufficient to incorporate poverty-related issues into the university, although it is helpful. What underlies poverty related issues and business are foundational questions pertaining to the meaning of work (especially as a vocation), the purpose of business, the social nature of property and capital, the multilayered meaning of poverty and prosperity, etc. If we don’t address these questions within what Havel called “the miracle of Being,” and “the authority of the universal order and of creation,” approaches that are drawn from the liberal arts, we are in danger of having programs turned into slogans with no roots that become fads with no future. Therefore, what is needed is an all-encompassing approach to business and its purpose, and how it relates to prosperity and poverty¹⁶ Without the liberal arts, it is difficult to see how this can happen thoughtfully.

Our paper makes two significant claims for a mission-driven case for Catholic business schools, which are drawn from the deep-rooted, Catholic social tradition. The first major claim of this paper is defining the term business and in particular its institutional goods.¹⁷ Business is not a uni-dimensional reality of profit maximization, but rather a multi-dimensional activity that entails good goods, good work and good wealth. When business is simply reduced to “wealth maximization for shareholders” (largely a restricted notion of what we mean by good wealth), it creates an “economy of exclusion” as well as moral and spiritual alienation among business leaders.¹⁸ We contend that one of the challenges of modern culture is the “thinning out” of institutions, reducing them from a vibrant set of integrated goods to one flat good—universities to career credentialing, religion to emotive experience, marriage to a legal contract between autonomous individuals, and business to shareholder wealth maximization. This reductionism deprives institutions of a transcendent breathing space resulting in a moral and spiritual desert, where all motives are self-interested, all knowledge is empirical and all rationality is instrumental.

The second major claim focuses on examining and defining poverty and prosperity, which the tradition defines in a multi-layered fashion as material and moral/spiritual.¹⁹ As we will explain below, these two forms of poverty and prosperity need constantly to inform each other in the realm of business education. It is precisely this integration of the material and moral/spiritual

¹⁵ See PRME’s Report on Fighting Poverty through Management Education: Challenges, Opportunities, Solutions, 16-17. However, the Aspen Institute released a report in 2007 indicating that the number of business schools that include material focused on BoP grew substantially in 2007 compared to 2005 (Aspen Institute, “A closer look at business education: Bottom of the Pyramid,” June 2007. Retrieved July 19, 2007 from <http://www.beyondgreypinstripes.org/pdf/BOP.pdf>).

¹⁶ A mission driven approach that engages a rethinking of business disciplines will both be more sustainable and central in relation to engaging poverty related issues which is one of the goals of this conference: “To develop a more sustainable, inclusive educational/research model in management education that moves the issue of poverty eradication from being peripheral in business curricula and programmes to a more central standing.”

¹⁷ See Hugh Hecllo, *On Thinking Institutionally* (Oxford: Oxford University Press, 2011).

¹⁸ See Francis, *Evangelli Gaudium*, 53, http://w2.vatican.va/content/francesco/en/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html.

¹⁹ There is also a third layer that cannot be ignored in the Christian tradition—poverty as blessedness as expressed in the first beatitude in Sermon on the Mount—“Blessed are the poor in spirit, for theirs is the kingdom of heaven.” Matthew 5:3. We address this third layer in “Poverty, Prosperity and the Purpose of Business” <http://www.stthomas.edu/cathstudies/cst/conferences/Manila/Manladocs/NaughtonBackgroundFi.pdf>

where businesses and their leaders are capable of developing deeper roots.

In Part I of our paper, we explain in more detail the three principal institutional goods of business (good goods, good work and good wealth) connected to the two layers of prosperity and poverty (material and moral/spiritual). Utilizing a matrix structure for Part II, we engage this understanding of business as it is reflected in several business disciplines: marketing and good goods; management/organizational behavior and good work and finance/accounting and good wealth. The objective, however, is not to fashion new courses in the curriculum, but rather to rethink the business disciplines and how this rethinking can engage existing courses in a way that poverty/prosperity related issues could more naturally appear in such courses.²⁰

Categories of Engagement

	Good Goods	Good Work	Good Wealth
Material Poverty	Negative Externalities and Market Exclusion: Goods and services are not often made available, accessible or affordable and often produce negative externalities, penalizing the poor through higher prices, inconvenient locations, poorer quality, etc.	Capability Deprivation: Work environments that are unsafe and harsh, instrumentalize employees, and offer very few resources to develop and utilize employee talents.	Unjust Distribution of Wealth: Wealth that results in wasteful production and unjust distribution of wages, ownership, prices, etc.
Spiritual Poverty	Consumerism: Where good goods give real value to consumers and the larger community, consumerism orients people to be more concerned about what they have and less concerned about who they become in the having.	Utilitarianism: Where good work fosters virtue in employees and responsible relationships in running the business, utilitarianism disorders and undermines good work through the dominance of instrumental rationality.	Relativism/Absolutism: Where wealth is seen as a means to the end of business to serve the common good, relativism removes and privatizes spiritual and moral values and absolutism elevates shareholder wealth to the highest good.
Curriculum	Integrated Justice Model: Marketing courses that recognize the inherent ethical dimension of their discipline and focus on the relations between the poor as valued customer and business as well as the dangers of consumerism.	Mainstream vs. Multi-stream: Management and Organizational Behavior courses that offer alternative views of work, its motivations and the relationships between management and employees, especially those who are unskilled and uneducated.	Professional Judgment: Finance courses that address other theories of the firm and accounting courses that recognize the capital bias of their formulas and the impact business has on the community and especially the poor.

PART I. DEFINING POVERTY AND PROSPERITY IN RELATION TO BUSINESS

But there is another form of poverty! It is the spiritual poverty of our time, which afflicts the so-called richer countries particularly seriously. It . . . makes everyone his own criterion and endangers the coexistence of peoples.²¹

²⁰ See the John A. Ryan curricular project that provides background papers, syllabi and teaching notes that attempt to rethink business disciplines, <http://www.stthomas.edu/cathstudies/cst/curriculum/BusCurrmaterial.html>. See also Bennis and O’Toole who call for this rethinking as well. Bennis, W. G., & O’Toole, J. (2005). How business schools lost their way. Harvard Business Review, 83 (5), 96-104.

²¹ Francis, Papal Address to the Diplomatic Corps accredited to the Holy See, March 22, 2013, http://w2.vatican.va/content/francesco/en/speeches/2013/march/documents/papa-francesco_20130322_corpo-diplomatico.html.

The PRME's Report, *Fighting Poverty through Management Education*, states that one of the challenges of management education addressing the issue of poverty is defining what we mean by the term, and consequently, what we mean by prosperity.²² Specifically in a university setting, it is important to have a comprehensive understanding of the terms we will be using. In order to effectively diagnose poverty, we must consider its antonym, prosperity, through a multifaceted lens. Through the following explanations, we hope to give working definitions of the purpose of business, prosperity and poverty, and how these complex terms can enrich higher education.

When business is materially prosperous, it has the ability to promote three basic goods for itself and society. The document from the Pontifical Council for Justice and Peace, *Vocation of the Business Leader*, which serves as a summary of the Catholic social tradition in relation to business, explains these three interdependent goods in the following way:

- Good Goods: making goods which are truly good and services that truly serve.
- Good Work: organizing work where employees develop their gifts and talents.
- Good Wealth: creating sustainable wealth and distributing it justly.

When businesses properly order these three goods, they serve as the economic engine of a society and they play an indispensable role in generating material prosperity for wider numbers of people. These three goods also provide a more comprehensive notion of the good business does. When they disorder any of these goods, businesses fail to mitigate poverty as well as they could and more specifically, exclude others from prosperity. Here, poverty is identified as material destitution and a form of exclusion representing a violation of one of the first demands of the Bible—for all humanity to have dominion over the earth.²³

These examinations of material prosperity and poverty, however can only take us so far. If we are to “see things whole,” we need to recognize that the material dimension does not exhaust the reality of poverty and prosperity. What is also needed is an interdisciplinary conversation to embed our discussion of poverty and prosperity within a larger cultural category, which takes the moral and spiritual dimensions seriously. If the three goods of business provide a more comprehensive notion of the good business does, our multilayered understanding of prosperity and poverty gives us greater depth of the meaning of our topic. Two examples can illustrate. Cardinal Oscar Rodriguez Maradiaga of Honduras critiqued the current state of inequality by stating that “a wrong anthropology is creating this wrong distribution of wealth.”²⁴ What Rodriguez points to is a whole set of value presuppositions that underlie the way a business distributes wealth; presuppositions that demand an account of the person, community, property, capital, work, law, contract and so forth. If one were to ignore these value presuppositions that operate within business, one would be ignoring reality. The other example comes from Charles Murray's book, *Coming Apart* in which he argues that there is an increasing cultural exclusion occurring in the United States for example. Stemming from the withdrawal of core cultural institutions, such as religion and family as well as education, this cultural inequality contributes

²² In the PRME's Report *Fighting Poverty through Management Education: Challenges, Opportunities, Solutions*, 24.

²³ Genesis, 1:26.

²⁴ Joshua J. McElwee, “Cardinal Staunchly Defends Pope's Critiques of Capitalism,” *National Catholic Reporter* (Jun. 3, 2014) <http://ncronline.org/news/peace-justice/cardinal-staunchly-defends-pope-s-critiques-capitalism>.

to the growing economic inequality resulting in further distancing among classes.²⁵ Both examples, although different, point to the moral and spiritual dimensions of business in relation to poverty and prosperity issues.

While no one book, talk or paper will be able to comprehend the complex nature of these relationships, it is within the university that we can seek clarity through interdisciplinary discourse.²⁶ Simply reducing poverty and prosperity to economic and technical categories, we would inadvertently lose the university's cultural vocation to educate the whole person, who is always more than what he or she consumes and produces. History, unfortunately, is littered with promises of living "by bread alone."²⁷

In the next section, we begin to engage each of the three goods of business, their relationship to material and moral/spiritual prosperity and poverty, and implications for the curriculum for business disciplines. Since our dialogue includes the nature of the person and property and the meaning of work, this engagement will entail rethinking some of the presuppositions of business disciplines. We will focused principally on "good goods" and provide a shorter analysis on "good work" and "good wealth."

PART II. THE GOODS OF BUSINESS: CURRICULAR IMPLICATIONS

Good Goods and Marketing Material Prosperity and Poverty

When properly ordered, business brings into existence "goods that are truly good and services that truly serve."²⁸ As an institution, business plays a pivotal role in producing and giving a great number of people access to food, shelter, credit, clothing, communications, transportation, medicine, and so forth; namely the goods and services that promote our wellbeing. Underlying "good goods" is what the Catholic social tradition calls the "the universal destination of goods and the right to common use of them."²⁹

By observing and anticipating society's needs, businesses like General Mills, Bimbo, Cargill, Kraft, Want Want, Aldi, as well as thousands of small to medium sized companies, create efficient methods in production and distribution to significantly bring down the cost of food, allowing families to spend a smaller percentage of their income. This has served everyone, especially the poor. But life experience has also demonstrated how some of these efficient and accessible goods can directly or indirectly produce negative externalities such as bland and unhealthy food options, widespread obesity, food deserts, soil erosion, commoditization of labor, etc. A majority of these debilitating effects especially impact the poor. It becomes too easy for

²⁵ See Charles Murray, *Coming Apart* (New York: Crown Forum, 2012). While cause and effect is difficult to establish, the poor and the increasingly immobile middle class are opting out of institutions: they enter into marriage less and opt out of it more, they are, especially those who white, less religious, they tend not to vote and volunteer, etc.

²⁶ "Of itself, an economic system does not possess criteria for correctly distinguishing new and higher forms of satisfying human needs from artificial new needs which hinder the formation of a mature personality. Thus a great deal of educational and cultural work is urgently needed" (John Paul II, Encyclical Letter *Centesimus Annus* (1991), 36,

http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus_en.html). See John Henry Newman, *Idea of the University*, (Washington DC: Regnery Publishing, 1999).

²⁷ Matthew, 4:4.

²⁸ Pontifical Council for Justice and Peace, *Vocation of the Business Leader*, 40,

<http://www.stthomas.edu/cathstudies/cst/VocationBusinessLead/VocationTurksonRemar/VocationBk3rdEdition.pdf>.

²⁹ See John Paul II, Encyclical Letter *Laborem exercens* (1981), 14,

http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html.

markets to overlook their just treatment and impose upon them a “poverty penalty” through higher prices, lower wages, inconvenient locations, inferior and unreliable products and services, deceptive advertising, exploitation of superfluous products, etc.³⁰ Goods can’t be truly good when they violate the good of the poor. The work of fair trade products, environmental friendly goods, microcredit enterprises, and other movements have sought to mitigate these problems.

These poverty and prosperity issues in relation to “good goods” raise significant concerns for the institutional discipline of marketing. “What is marketing’s role in the development, promotion, pricing, distribution and development of products and services, especially as it relates to economically disadvantaged consumers?” A thoughtful examination of this question does not require a special course within a business curriculum, but can easily be integrated into most marketing courses.

A Principles of Marketing course, for example, can be a place where the faculty engages and connects students with the reality of the economically marginalized, fostering “solidarity” with their plight.³¹ Etymologically, the term “principle” comes from the Latin principium, meaning “beginning,” “origin,” or “groundwork.” This derivation suggests that principles are, in some sense, foundational.³² What are the first principles or truth claims of marketing? Marketing professors Gene Lacznik and Nicky Santos S.J. have developed what they call the Integrative Justice Model (IJM) to help the Marketing discipline see its underlying principles.³³ This method addresses common trappings when marketing, as a discipline, sees itself as only a “descriptive” or “value free” inquiry. Since no education is value free, any notable professional education attempts to “profess” a set of principles that distinguishes its discipline. IJM aims to enhance fairness and equity in economic transactions, especially those involving impoverished consumers. The key principles of the IJM for ethically marketing to the impoverished are:

1. Authentic engagement with impoverished consumers without exploitative intent;
2. Co-creation of value with all customers, especially those who are impoverished or disadvantaged;
3. Investment in future consumption without endangering the environment;
4. Genuine interest representation of all stakeholders, particularly impoverished customers; and
5. Focus on long-term profit management rather than on short-term profit maximization.

Through a rudimentary foundation, the IJM opens the floor for marketing education to seriously engage poverty related issues. Case studies show that when the IJM protocol engages poor and

³⁰ See Prahalad, *The Fortune at the Bottom of the Pyramid* (New Jersey: Wharton School Publishing, 2006), 11. See also Gene Lacznik and Patrick Murphy, “Distinctive Imperatives for Teaching Marketing in a Catholic Business School,” <http://www.stthomas.edu/cathstudies/cst/curriculum/PortlandCurr/MurphLacBackgroundwG.pdf>.

³¹ For ideas on a Principles of Marketing course see Gene Lacznik and Patrick Murphy, “Distinctive Imperatives for Teaching Marketing in a Catholic Business School,” <http://www.stthomas.edu/cathstudies/cst/curriculum/PortlandCurr/MurphLacBackgroundwG.pdf>.

³² See Wolfgang Grassl on truth claims in marketing in “Marketing Concepts and Issues,” <http://www.stthomas.edu/cathstudies/cst/curriculum/AveMariaCurr/GrasslMarketingPrinc.pdf>.

³³ Gene Lacznik, Nicholas Santos, S.J., and Thomas Klein, “Good Goods.” In *Poverty, Prosperity and the Purpose of Business*. <http://www.stthomas.edu/cathstudies/cst/conferences/Manila/Manladocs/SantosBackgroundFINA.pdf>. See also Nicholas Santos, S.J. and Gene Lacznik, (2009). “Just Markets” from the perspective of Catholic Social Teaching. *Journal of Business Ethics*, 89, 29-38. Nicky Santos, S.J. and Gene Lacznik, “Marketing to the Poor: An Integrative Justice Model for Engaging Impoverished Market Segments.” *Journal of Public Policy & Marketing*, 28(1), 3-15. Nicholas Santos, Gene R. Lacznik, “Marketing to the Base of the Pyramid: A Corporate Responsibility Approach with Case Inspired Strategies” *Business and Politics*, Vol. 14 [2012] 1.4.1.

vulnerable markets, it produces a generation of customer empowerment, longer term relationships, sustainable enterprises and a fairer, more ethical marketplace.

A Principles of Marketing course can utilize IJM to engage students in how the customers and especially the poor can to be regarded in economic exchanges, avoiding the advantage of information asymmetries and providing “fairer” exchange situations for vulnerable consumers. These are not marginal issues for marketing, but ones that must be explicitly examined from its foundation.

Moral and Spiritual Poverty and Prosperity: The Challenge of Consumerism

At the heart of these justice questions are a moral and spiritual root system that locates the “good” of “good goods.” Rather than simply asking of products and services: “Are they legal?” or “Will they lead to a positive cash flow?” business leaders should be asking: “How do these products and services contribute to human well-being?”³⁴

With only economic categories to determine human flourishing, the most popular answer is the market, which takes on a logic that products and services are viewed as objects or actions “valued” by the price and choice exchange between the consumer and producer. Underlying this market view of goods are several assumptions that define “consumerism.”³⁵ When logic is limited to price and choice, consumerism becomes a leading cause of “moral and spiritual poverty” within business and the larger culture.

The fundamental assumption within consumerism is that choice preference and price determines value, independent of the content or the “goodness” of the product. A helpful case to illustrate this logic and its problems is to examine tobacco companies, whose marketing campaigns are often targeted toward lower income segments of the population.³⁶ The CEO of the former company RJR Nabisco (a producer of food and tobacco), Steven Goldstone, argued that the production of cigarettes is a virtuous profession because it increases people’s choices.³⁷ With this logic, the principal value is choice, revered as the highest good; for it is not what you choose, but that you have the ability to choose what you want (within the limits of restricting other people’s choices). In addition, any intrusion of moral criteria would seem to be paternalistic.

Behind Goldstone’s consumerism is a view of choice premised on the problematic view of the “freedom of indifference” that replaces the “freedom for excellence.”³⁸ Where the latter is naturally inclined to choose “goods that are truly good and services that truly serve,” the former is agnostic to any substantive engagement of the good. Freedom of indifference presupposes that the more choices we have as consumers, the better the market is; and the more “free” we are to make those choices, the happier we are. Whereas freedom of indifference is about the amount of

³⁴ See Kenneth Goodpaster, “Goods that are truly good, and services that truly serve,” *Journal of Business Ethics* 100 (S1): 9-16 (2011).

³⁵ When discussing “consumerism” in this essay, we are not referencing various social movements to increase buyer rights in the marketplace but rather, in the tradition of Catholic Social Thought, the notion that a culture of acquisition and materialism has become rampant and it is often fostered by corporate promotional and advertising campaigns that underscore hedonistic concerns. We are grateful to Gene Lacznik for this insight.

³⁶ See Kirk Davidson, “Ethical Concern at the Bottom of the Pyramid: Where CSR Meets BoP” *Journal of Business Ethics* vol. 2 No.1 2009, 29-30 where he describes Reynolds new cigarette Uptown for African Americans.

³⁷ Taken from an interview from The News Hour with Jim Lehrer, January 29, 1998. Follow link to interview: https://archive.org/details/tobacco_ovy27a00.

³⁸ See Servais Pinckaers, O.P., *Sources of Christian Ethics* (Washington, D.C.: Catholic University of America Press, 1995), 354-378.

choices we have, freedom of excellence is about the nature of the choice we make. Freedom for excellence confronts the deepest reality of our choice, namely, that our choice is meant for the good, which is the basis of real freedom. Because “[o]ur choices are the prime indicators of our destiny” they are always forming us into particular kinds of people.³⁹ This is why one’s “nos” in life clarify the “yesses” of his or her commitments. The alcoholic who chooses to drink, for example, loses his freedom. The alcoholic’s no to a drink is a yes to potential development. It is not the amount of choices one has, but the nature of how we choose that creates happiness.

Producers who have no standards of wellbeing beyond choice itself eventually fail to take their work seriously either as a vocation or a profession. The Jewish sociologist Philip Rieff in his book, *The Triumph of the Therapeutic*, describes the psychological perplexity when we are only left with our choices: “There is no more feeling more desperate than that of being free to choose, and yet without the specific compulsion of being chosen.”⁴⁰ The real problem with freedom is not simply whether we have the power to do what we want, but rather needing to be who we truly are. Without a deep sense of being called, the competitive and complex difficulties of business will erode a leader’s sense of human action, reducing it to a technical function and financial formula. This freedom of choice severed from being “chosen” has unfortunately been purchased at the price of emptiness- liberated from nature, moral norms, history, tradition, society, and God- and sensing this void, consumption is offered as a quick means to fill the emptiness of the modern self.⁴¹

While marketing classes are not philosophy or theology courses, neither are they “value neutral” or merely descriptive sciences. For marketing professors to exclude consumerism in a Principles of Marketing class, for example, would be similar to doctors not addressing leading pathologies in medical education. Consumerism is a pathology.⁴² When marketing reduces itself to simply choice preferences and price points, it often becomes a unknown carrier of consumerism, which infects business and the larger culture with a serious and debilitating moral and spiritual poverty.

Yet, to address consumerism as a moral and spiritual poverty within a Principles of Marketing curriculum will usually be more subtle and anecdotal than philosophical and theological. There is always the danger of moralizing in such courses, which will probably cause more harm than good. While the primary focus of functional courses such as marketing will be on the practical and technical matters of a particular field of study, it is precisely in the study of the practice that opportunities will open to the faculty and students to explore the ethical, spiritual and philosophical implications of practical aspects of the profession.

This more subtle and anecdotal approach will entail a mix of both positive witnesses and problematic logics. For example, explaining Bottom of the Pyramid (BoP) companies in a Principles of Marketing course would go a long way in connecting marketing as an instrument of business’ potential to mitigate material poverty. As Prahalad states, “when the poor are converted into consumers, they get more than access to products and services. They acquire the dignity of

³⁹ John Kavanaugh, S.J., “The Ethical Executive,” *America* (January 21, 2002).

⁴⁰ Philip Rieff, *The Triumph of the Therapeutic*, (New York: Harper & Row Publishers, 1966), 93. “Men are not free when they are doing just what they like. The moment you can do just what you like, there is nothing you care about doing. Men are only free when they are doing what the deepest self likes. And there is getting down to the deepest self! It takes some diving” (D.H. Lawrence, *Studies in Classic American Literature*. Penguin Books, New York, 1923, 12-13).

⁴¹ See John Paul II, *Encyclical Letter Centesimus annus*, 39.

⁴² Pope Francis, *Evangelii gaudium*, 2. “The great danger in today’s world, pervaded as it is by consumerism, is the desolation and anguish born of a complacent yet covetous heart, the feverish pursuit of frivolous pleasures, and a blunted conscience. Whenever our interior life becomes caught up in its own interests and concerns, there is no longer room for others, no place for the poor. God’s voice is no longer heard, the quiet joy of his love is no longer felt, and the desire to do good fades.”

attention and choices from the private sector that were previously reserved for the middle-class and rich.”⁴³ BoP effectively embodies the power of marketing to enable better affordability, access and availability of goods and services to impoverished consumers to participate more fully in the market economy.

Yet, in another sense, Prahalad and others may be promising what the market logic cannot deliver.⁴⁴ For example, the relationship between the poor and corporations may merely be price and choice as expressed in consumerism, foregoing dignity as its “essential” quality and “instrumentalizing” based on one’s purchasing power. If we discount the cultural resources and the importance of moral and spiritual principles and virtues, BoP will be in danger of being coopted by “enlightened self-interest,” “utility maximization,” “shareholder primacy,” and other neo-classical forms of logic. The logic of the market may make the poor richer, but by itself, it will leave them morally and spiritually poorer.⁴⁵ Many so-called BoP companies, such as Bimbo and Aravind Eye, have a richer moral and spiritual narrative animating their companies that is too often ignored in the cases written about them.

An education that promotes only a market logic is not worthy of a university cultural vocation to educate the whole person. In the spirit of Keynes’ quote at the beginning of this paper, marketing professors who think they are outside of moral and spiritual influences are usually the slaves of some defunct economist and more specifically a neoclassical one. What is needed is a moral and spiritual logic that can go beyond a market logic and engage in a robust and substantive philosophical and theological tradition. It is precisely this kind of logic that can avoid slogans that Havel warned of, and provide for students a moral and spiritual formation that is both personally and socially transformative.

Good Work and Management/Organizational Behavior Material Prosperity and Poverty

While businesses strive to create goods and services, it should not come at the expense of good work. “It is a scandal,” Pope Pius XI wrote, “when dead matter comes forth from the factory ennobled [good goods], while men there are corrupted and degraded [bad work].”⁴⁶ The grandeur of human work leads not only to improved products and services, but also, and most profoundly, to the development of workers themselves.⁴⁷ That is why when businesses organize labor that develops the gifts and talents of their employees, they are creating good work. Therefore justice is to be observed not only in the distribution of wealth (wages, prices, profits), but also in regard to the conditions in which the way people actually do the work. What makes work good is not only its external effects (good goods and good wealth), but also the growth of the person who

⁴³ See C.K. Prahalad, “The Fortune at the Bottom of the Pyramid,” (New Jersey: Wharton School Publishing, 2006), 20.

⁴⁴ Ibid, 107, where identity is seemingly developed as either a consumer or citizen. See also Sridevi Shivarajan and Aravind Srinivasan, “The Poor as Suppliers of Intellectual Property: A Social Network Approach to Sustainable Poverty Alleviation,” *Business Ethics Quarterly* 23:3 (July 2013): 386.

⁴⁵ One is struck, for example, by Kash Rangan’s comment of Harvard’s Global Poverty Project (GPP), that BoP is not about the good but about business, which he seems to mean, profit: “For business, the bulk of emerging markets worldwide is at the bottom of the pyramid so it makes good business sense—not a sense of do-gooding—to go after it” (Gary Emmons, “The Business of Global Poverty,” (<http://hbswk.hbs.edu/item/5656.html>)). Such bifurcations result not in authentic relationships with the poor, but the continuation of an instrumental rationality that is always on the verge of exploitation. See also Kirk Davidson, “Ethical Concern at the Bottom of the Pyramid: Where CSR Meets BoP” *Journal of Business Ethics* vol. 2 No.1 2009, 24-25 where he critiques BoP product issues.

⁴⁶ Pius XI, Encyclical Letter *Quadragesimo anno*, 135, http://www.vatican.va/holy_father/pius_xi/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno_en.html.

⁴⁷ See John Paul II, *Laborem exercens*, 6, where he speaks about the “subjective dimension of work.” See also *Vocation of the Businessperson*, 45.

works.⁴⁸ In addition to the minimum demands for employment itself, safe and healthy ergonomic conditions, and a living wage, good work must be designed and managed to impact the workers' growth and development (skill variety, task significance, autonomy, voice, job feedback, etc.).⁴⁹

Indicators of poverty are significantly dependent upon the culture out of which employees come, in particular their education, family, and religion.⁵⁰ Concerning education for example, evidence of poverty is demonstrated by unskilled and uneducated workers, who are prone to displacement by technology and lower-wage foreign competition, endure abusive treatment and who are often hit hardest in recessions with unemployment and underemployment. They are also the ones who are least satisfied and engaged with their work and receive, if any, few opportunities for advancement.⁵¹ However, when workers have higher-level skills and education that match similar level skills needed at work, they often receive greater stability in employment, higher levels of compensation and job satisfaction. One of the significant challenges for employers and entrepreneurs is how to develop their employees' capabilities and make them more productive, especially those employees who come to them poorly educated with few skills and often from broken homes.⁵² It is in the end essential for employers to create the conditions for their employees to become protagonists of their own development.⁵³

Moral and Spiritual Prosperity and Poverty: The Challenge of Utilitarianism

The disciplines of Management, Organizational Behavior, and Human Resources play a critical role in addressing these challenges. Most people in these management fields recognize the

⁴⁸ See John XXIII, *Mater et magistra* (1961), 82, http://www.vatican.va/holy_father/john_xxiii/encyclicals/documents/hf_j-xxiii_enc_15051961_mater_en.html.

⁴⁹ John Paul II, *Encyclical Letter Centesimus annus*, 32. Howard Gardner, Mihaly Csikszentmihalyi, and William Damon, *Good Work* (New York: Basic Books, 2001). Norman Bowie, "A Kantian Theory of Meaningful Work," *Journal of Business Ethics* 17 (1998): 1083–1092. Douglas R. May, Cuifang Li, Jennifer Mencl and Ching-Chu Huang, "The Ethics of Meaningful Work: Types and Magnitude of Job-Related Harm and the Ethical Decision-Making Process," *Journal of Business Ethics* (2014): 651–699. They speak about the growth of workers in terms of physical, economic, emotional and cognitive. We would add aesthetic, social, moral, and spiritual.

⁵⁰ For education see Sridevi Shivarajan and Aravind Srinivasan, "The Poor as Suppliers of Intellectual Property: A Social Network Approach to Sustainable Poverty Alleviation," *Business Ethics Quarterly* 23:3 (July 2013): 388ff. For religion see W. Bradford Wilcox, Andrew J. Cherlin, Jeremy E. Uecker, and Matthew Messel, "No Money, No Honey, No Church: The Deinstitutionalization of Religious Life Among the White Working Class," http://creed-design.com/NMP/wp-content/uploads/2012/05/Religion_WorkingPaper.pdf. For family, see Amy L. Wax, "Engines of Inequality: Class, Race and Structure," 41 *Family Law Quarterly* 567 (2007): 567–599 (http://lsr.nellco.org/cgi/viewcontent.cgi?article=1219&context=upenn_wps). There is a significant debate in the US over the influence of these cultural institutions on poverty. So-called traditionalists speak about the poor and immobile middle class marry less and divorce more than their educated upper class. Wilcox, for example, argues that the decline in marriage and the traditional family accounts for 41 percent of the increase in economic inequality since 1975. Without the social capital that marriage and intact families provide, future workers fail to develop the habits, skills and character to succeed in work. The claims of Wilcox are disputed by others who argue that the real problem of increasing inequality and poverty are less cultural and more economic and political forces of reduced welfare benefits, lack of health care, decline of unions, automation, globalization, etc. Often labeled as Pluralists, they "are skeptical of efforts to restore longstanding family forms. They deny that good or bad outcomes are intrinsic to any family type and believe that observed differences can be eliminated by providing outside assistance and resources or changing policies to make life easier for fragmented families" (see Amy L. Wax, noted above).

⁵¹ See 2008 Working Climate Survey, (08-09-2008), <http://www.eurofound.europa.eu/ewco/surveyreports/AT0806019D/AT0806019D.pdf>. See 2013 Training Industry Report, http://www.trainingmag.com/sites/default/files/2013_Training_Industry_Report.pdf.

⁵² Amartya Sen, *Development as Freedom* (New York: Random House, 1999). In a similar way, Charles A. O'Reilly and Jeffrey Pfeffer held similar views when they speak about leaders and their companies unlocking "the hidden value in all their employees." Charles A. O'Reilly and Jeffrey Pfeffer, *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People* (Boston, MA: Harvard Business School Press, 2000), 82.

⁵³ One important way for the poor to become protagonists of their own development is to tap into and have title to both physical and intellectual property. See Sridevi Shivarajan and Aravind Srinivasan, "The Poor as Suppliers of Intellectual Property: A Social Network Approach to Sustainable Poverty Alleviation," *Business Ethics Quarterly* 23:3 (July 2013): 389ff. See also Hernandez DeSoto, *The Mystery of Capital* (New York: Basic Books, 2000).

importance of employee capability development and in particular the role it plays in becoming a world-class organization. There are significant differences, however, in how employees are viewed within business, the motivations that inform leaders and employees and the relationships between management and employees. Bruno Dyck and Mitch Neubert have written two textbooks, one on management and the other on organizational behavior, which concretely and accessibly put into pedagogical practice what they call Mainstream vs. Multi-stream Management and Organizational Behavior (M&OB).⁵⁴ What they have done better than most management scholars is uncover the underlying principles of management and how they impact what we mean by good work.⁵⁵

Dyck and Neubert explain that Mainstream (or conventional) M&OB is based on a materialist-individualist paradigm that emphasizes maximizing self-interested behavior guided by economic incentives. Influenced heavily by the discipline of economics, the Mainstream approach is based on a utilitarian ethical moral-point-of-view where the good work of business is defined in terms of a series of exchanges with the goal to maximize utility satisfaction. Because the firm is principally viewed as a market, that is, a collection of self-interested competing individuals, good work is defined in terms of the acquisition of instrumental goods related to economic value. This focus on the instrumental may be one reason why the title of the departments that often address human work related issues have moved from Personnel, to Human Resources and now to Human Capital. Employees and their work are seen as only an extension of the capital structure of business. Whereas in the past Personnel departments served as advocates for employees, today as human capital departments they create business cases for their own existence.

In contrast, Multi-stream (or alternative) M&OB sees the nature of good work in a significantly different way. Drawing from a wide variety of resources, including the Catholic social tradition, the Multi-stream approach views the firm not as a market (a collection of individuals) but as a community of persons. It highlights social principles such as subsidiarity, the dignity of work, the virtues, and other communitarian principles to emphasize a holistic notion of good work, which views the instrumental and economic as simply one dimension of a multidimensional reality.⁵⁶ One such example of a Multi-stream company, mentioned by Dyck and Nuebert, is Reell Precision Manufacturing. Reell, for example, redesigned their assembly-line from a Command-Direct-Control (CDC) style of management where management and engineers made all the decisions concerning the conception of the assembly area, to a Teach-Equip-Trust (TET) approach where employees were taught inspection procedures, equipped with quality instruments, and trusted to do things well on their own assembly-line. As a result, employees decreased set-up times for new products, reduced the need for quality inspection, increased overall quality, and required less supervision. By reducing these costs, the company was both able to pay a living wage and also to create more humane work. While Reell was concerned about instrumental goods of efficiency and productivity, what was at the root for the leaders of the company was the mission of its deep sense of stewardship for the growth of employees, rather than only an instrumental rationality to generate greater productivity.⁵⁷

⁵⁴ B. Dyck and M. Neubert, *Organizational Behavior* (Wiley, 2014) and B. Dyck and M. Neubert, *Management: Current Practices and New Directions*. (Boston: Cengage/Houghton Mifflin, 2010).

⁵⁵ See Bruno Dyck, "Catholic Social Thought: Implication for Teaching Management and Organizational Behavior," <http://www.stthomas.edu/cathstudies/cst/curriculum/AveMariaCurr/Dyck%20Background%20Pape.pdf>.

⁵⁶ See <http://www.stthomas.edu/cathstudies/cst/curriculum/BusCurmaterial.html>.

⁵⁷ For cases on Reell see Kenneth E. Goodpaster, Laura L. Nash & Henri-Claude de Bettignies eds., *Business Ethics: Policies and Persons* 4th ed. 2005. See also Michael Naughton and David Specht, *Leading Wisely in Difficult Times: Three Cases of Faith and Business* (New York: Paulist Press, 2011), 15-51.

These Mainstream and Multi-stream theories of M&OB and their underlying principles have significant influence on how future business leaders view good work and consequently how they view the good work of their employees, especially those with low incomes. Dyck and Neubert explain that much of the theory taught in M&OB is based on a Mainstream moral-point-of-view influencing future business leaders to be more utilitarian in their outlook.⁵⁸ They explain, however, that exposure to the Multi-stream approach shows that students become less materialistic, individualistic and instrumental when they are exposed to the two approaches of M&OB. Dyck and Neubert argue that M&OB instructors should be simultaneously teaching students both the Main and Multi-stream approaches for three reasons:

1. “demonstrates clearly that there is no such thing as value-neutral M&OB (i.e., different moral-points-of-view will give rise to different approaches to M&OB);
2. has been empirically shown to facilitate students’ critical thinking;
3. and compels students to consider their own moral-point-of-view and how it informs their approach to M&OB (students agree that learning two approaches to M&OB improves their ethical thinking).”⁵⁹

While Dyck and Neubert present these two views in a somewhat non-evaluative fashion, we argue that the Mainstream view of M&OB and the utilitarianism it offers suffers from a deep moral and spiritual poverty that instrumentalizes employees and fails to develop meaningful relationships at work.⁶⁰ While the Mainstream approach often emphasizes the importance of workers to be better skilled and more productive, it is often done at the cost of human character and robust human relationships between workers and managers. The reason for this is because the Mainstream calculative approach will never know when to sacrifice for something, which is always the sign of an enduring relationship.

Good Wealth and Finance and Accounting Material Prosperity and Poverty

You cannot distribute wealth you have not created, nor should you create wealth without distributing it to those who are responsible for its creation. These two dimensions of good wealth, creation and distribution, which are too often juxtaposed to each other, cannot be understood apart from each other.⁶¹

In terms of wealth creation, business enterprises exercise the stewardship of resources when they create more than what they have been given.⁶² This is commonly called “value added.” One necessary dimension of value added is economic, namely profit—the surplus of retained earnings over expenses that enables an enterprise to sustain itself into the future. Profits wisely used over time generate equity in companies, which provides for companies wealth generating capacity to build for the future. A profitable business creates the conditions to properly employ the factors of

⁵⁸ Bruno Dyck, Kent Walker, Frederick A. Starke, Krista Uggerslev, “Addressing Concerns Raised by Critics of Business Schools by Teaching Multiple Approaches to Management” *Business and Society Review*, Volume 116, Issue 1, pages 1–27, Spring 2011. See also Ferraro, F., J. Pfeffer and R.I. Sutton, “Economic language and assumptions: How theories can become self-fulfilling.” *Academy of Management Review*, 30: 8-24 (2005).

⁵⁹ Bruno Dyck, “Catholic Social Thought: Implications for Teaching Management and Organizational Behaviour,” <http://www.stthomas.edu/cathstudies/cst/curriculum/AveMariaCurr/Dyck%20Background%20Page.pdf>

⁶⁰ See Lynn Sharp Paine, “Does Ethics Pay?” *Business Ethics Quarterly* 10, no. 1, (2000): 319–330.

⁶¹ See Charles Clark, “Promoting Good Wealth: CST and the Link between Wealth, Well-Being and Poverty Alleviation” <http://www.stthomas.edu/cathstudies/cst/conferences/Manila/Manladocs/ClarkBackgroundFinal.pdf>, on distinguishing good and bad wealth.

⁶² Matthew 25: 14-30.

production, which is a necessary means to realize the common good of a society.⁶³ Yet, profit is like food. You need it to be healthy and sustainable, but you don't live for it. Profit makes for a good servant, but a lousy master.

Wealth creation brings with it the concomitant task of wealth distribution. The principle of just distribution calls for wealth to be allocated in a way that creates “right relationships” with those who have participated in the creation of such wealth. This principle raises a set of knotty and enduring moral challenges for business; challenges that touch upon questions of justice and its fundamental meaning of right relationships (the Latin root of justice is *ius* which means “right”). Among other things, businesses need to discern and account for the moral implications of how they make a just distribution of this wealth to employees (a just wage as well as possibilities of employee ownership), customers (just prices), owners (just returns and access), suppliers (just prices and fair terms on receivables), government (just tax payments) and the larger community and especially the poor (philanthropy).⁶⁴ Inherent within the very nature and purpose of business is a just distribution of wealth, which creates authentic prosperity and alleviates debilitating poverty.

The disciplines of accounting and finance play a critical role in the creation and distribution of wealth within a business. As disciplines, they create habits of stewardship, utilizing resources effectively and efficiently. They are critical to the viability of any institution. Yet, as disciplines and practices, they are prone to certain fixations and rationalizations that often detach themselves from the poor and larger community concerns.

Brian Shapiro, an accounting professor, points to two significant problems in accounting education.⁶⁵ The first is how non-shareholders are often accounted for. The balance sheet equation defines an entity's resources as originating from investors and creditors (i.e., $\text{Assets} = \text{Liabilities} + \text{Equities}$). As others have observed, the balance sheet equation and the prevailing financial accounting reporting model's emphasis on capital providers attributes most value creation to capital, even though employees, the community, the state and other stakeholders also contribute to an organization's success. This bias toward capital, especially when ownership is concentrated, generates greater inequality reducing confidence in business' ability to justly distribute wealth.⁶⁶

⁶³ See John Paul II, Encyclical Letter *Centesimus annus*, 35.

⁶⁴ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, 171–181. See also the US Bishops Pastoral Letter, “From Economic Justice for All,” (1986) 74-75, http://www.usccb.org/upload/economic_justice_for_all.pdf.

⁶⁵ The following three paragraphs are insights that Brian Shapiro, an accounting faculty member from our institution, has shared with us. They are adapted from Brian Shapiro and Michael Naughton, “Toward an Integrated Vision of Undergraduate Liberal and Accounting Education in the Public Interest: The Holistic Development of Persons and Institutions” *Accounting Education in the Public Interest Accounting Faculty Publications* (2013): 14-38 (<http://ir.stthomas.edu/cgi/viewcontent.cgi?article=1048&context=ocbacctpub>).

⁶⁶ There is much debate today about rising inequality. While there are many dimensions to this issue, one particular element is the allocation of historically high profit margins to capital and away from labor. Shareholders and those representing shareholders and in particular senior management saw their incomes rise faster than labor. In the US, labor rates have stalled whereas rates of capital growth are at historical highs. For example, earnings-per-share, adjusted for inflation, have grown at an annual rate of 5% since 1994, which is three times higher than the historic average of 1.5%. “By contrast, “real” household income has risen from around \$49,000 to \$52,000 over the same period—which translates to a near-zero annual increase in buying power over those same two decades” (see Chris Brightman, “The Profits Bubble,” http://researchaffiliates.com/Production%20content%20library/F_2014_1_The-Profits-Bubble.pdf). The reasons for this are complex and varied—globalization, technology, financialization of the economy, decline of unions, deregulation as well regulation of corporate benefits (Washington/Wall Street collaborations), etc. The temptation here, however, is to reduce wealth distribution to merely impersonal forces that need to be technically managed either by greater deregulation of the market so as to expand the pie or by greater government regulation to more justly distribute the pie. While market or government solutions are important, businesses and their leaders need to bring to the table a more robust set of principles in how wealth is distributed

Shapiro explains that this bias towards capital leads to the second problem of externalities and their implications for calculating and reporting a company's income and financial position under current- generally accepted accounting principles. For instance, the systematic underreporting of certain externalities (e.g., effects on employees and their families in terms of outsourcing, downsizing, and sub-living wages, natural resource degradation or depletion, etc.) can make a unfair distribution of resources to shareholders seem legitimate, even though it conceal a complete understanding of the organization's negative impact on employees and the larger community. The omission of significant costs overstates a corporation's wealth creation during a period, understates its negative impact on the poor, community and natural environment, and thereby overstates the entity's net resources available for distribution to shareholders.⁶⁷

Moral and Spiritual Prosperity and Poverty: The Challenge of Absolutism/Relativism

Accounting's bias toward capital is either caused or reinforced by the discipline of finance's articulation of the shareholder theory of the firm, which is a significant generator of moral and spiritual poverty within business. In a report by the Brookings Institute, studies found that elite business and law schools in the US routinely teach that maximizing shareholder wealth is (and must be) the primary purpose of the corporation.⁶⁸ Influenced by finance through neoclassical economics, the shareholder theory of the firm morally presupposes a strange hybrid of both market absolutism and moral relativism. On one hand, the social nature of property and capital is replaced with market value, and the only legitimate goal within business is shareholder wealth (market absolutism). Yet, on the other hand, echoing Milton Friedman's sentiment, the shareholder theory of the firm presupposes that the attainment of moral goods within a business, and especially a publicly traded one, is inaccessible since "one man's good is another's evil" (moral relativism).⁶⁹

While there are many difficulties with shareholder primacy as the purpose of the firm,⁷⁰ its failure to build a community of persons generates significant moral and spiritual poverty. When shareholder maximization is the principal motive of shareholders and leaders of the firm, workers begin to adopt a similar motive—wage maximization. This erodes the possibility of deeper bonds of communion since profits and wages do not by themselves have the capacity to bind people together in a way that enables them to flourish both in terms of the work they do and the property they own. It creates exchanges, but it does not generate relationships. This lack of community, a lack of human relationships within and around a business, is a major expression of

within the organization in a way that is sustainable in a market economy. One such solution is to find ways to broaden the ownership of capital so that more people participate in its benefits—cooperatives and employee stock ownership plans (ESOPs) are two such forms. Building up ways in which the poor can have wealth increases their chances of moving and staying out of poverty than only having them depend upon income generation (see James P. Bailey, *Rethinking Poverty, Income, Assets and the Catholic Social Justice Tradition* (Notre Dame: University of Notre Dame Press, 2010). This is not easy, but business schools that simply parrot market/state remedies are part of the problem, not the solution.

⁶⁷ Brian Shapiro and Michael Naughton, "Toward an Integrated Vision of Undergraduate Liberal and Accounting Education in the Public Interest: The Holistic Development of Persons and Institutions" *Accounting Education in the Public Interest* Accounting Faculty Publications (2013): 26 (<http://ir.stthomas.edu/cgi/viewcontent.cgi?article=1048&context=ocbacctpub>).

⁶⁸ Darrell West, "The Purpose of the Corporation in Business and Law School Curricula," Brookings Institute (July 2011), http://www.brookings.edu/~media/research/files/papers/2011/7/19%20corporation%20west/0719_corporation_west.pdf.

⁶⁹ Milton Friedman, "The Social Responsibility of Business is to Increase its Profits," *New York Times Magazine* September 13, 1970; see also Milton Friedman, *Capitalism and Freedom* (Chicago: The University of Chicago Press, 1962), 12, 32-33, 122, 124, 126.

⁷⁰ See Lyman Johnson, "A Role for Law and Lawyers in Educating (Christian) Business Managers about Corporate Purpose," http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1260979. A 2012 book also treats this subject more fully: Lynn Stout, *The Shareholder Value Myth* (Berrett Keohler Publications, 2012).

spiritual poverty and moral underdevelopment.⁷¹

The danger for both accounting and finance is that future leaders in these fields are too often formed as technicians rather than as professionals. Accountants, for example, are referred to as the “numbers people,” but numbers for a professional do not exhaust knowledge, rather they indicate a larger reality beyond the number. As the Union of American Hebrew Congregations put it, “Counting is a metaphor for paying attention. It is not about the number, but about the awareness that paying close attention generates.”⁷² In other words, it is about judgment and in particular prudential judgment. In the accounting profession, people who are “good at numbers” should not see themselves as simply neutral technicians. It was precisely the technician mentality that contributed to the massive accounting scandals and financial crisis of late.

Finance and accounting, as professions, need to be formed in such a way that they develop judgments animated by a “disciplined sensitivity” to see things whole, which must include those who are marginalized.⁷³ This entails the ability to see what is being left out, to resist fixations, to go beyond numbers and to see through rationalizations. Movements such as multiple bottom line accounting, genuine progress indicators, behavioral finance, etc. are ways to measure the full effect of business and to take more seriously the impact business has on the poor and what it takes to build community. Yet, if accounting and finance faculty teach a discipline sensitivity that simply maximizes wealth-producing practices that “reinforce[s] the social systems that do not benefit the poor majorities,” business education, especially within a Catholic university, becomes at odds with itself.⁷⁴

CONCLUSION

We have explored the three institutional goods of business (good goods, good work and good wealth) in relation to a multilayered understanding of poverty and prosperity as material and moral/spiritual. Our reason for this exploration is to provide a mission driven rationale of why Catholic business schools should address poverty-related issues as well as show where in the curriculum some of these issues can manifest themselves.

We acknowledge that the kind of curriculum we have explored in this paper places very significant demands on professors and administrators. For example, a business school that is genuinely animated in all of its parts by solidarity with the poor, the subjective dimension of work, the social nature of property and capital, and the common good, is counter-cultural and intellectually demanding. Our point here simply is that the demands placed on faculty and administration simply mirror the demands placed on business students who would take such principles into the marketplace.

At the heart of these demands is a central pillar of a Catholic business education: to see things in relation to each other, especially the impact business has on the poor and the marginalized. Unfortunately, these kinds of interdisciplinary conversations struggle to find a place in the

⁷¹ See Vocation of the Business Leader, 58. Johnson, L., Naughton, M. J., Bojan, W. (2013). Rethinking how business purpose is taught in Catholic business education. *Journal of Catholic Higher Education*, 32 (1), 59-81. (December 2013).

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2348470

⁷² Union of American Hebrew Congregations. 2001 http://urj.org/cong/board/?syspage=document&item_id=14858

⁷³ Michael Buckley, S.J., *The Catholic University as Promise and Project* (Washington D.C.: Georgetown University Press, 1998).

⁷⁴ Sobrino, Jon. "The University's Christian Inspiration," *Horizons* 17 (1990): 280-296. See also Michael Naughton and Thomas Bausch "The Integrity of an Undergraduate Catholic School of Management: Four Integrating Characteristics" *California Management Review*, (Summer 1996). See also the University of Notre Dame's mission statement.

modern academy, including Catholic universities. Alasdair MacIntyre has forcefully argued that universities have too often provided a narrow and specialized training that have produced minds incapable of evaluating the conditions they confront and which often exclude interdisciplinary and philosophical and theological resources. This critique has also been made by many management scholars such as Warren Bennis, James O'Toole, Rakesh Khurana, Jeffrey Pfeffer and others.

Often at the heart of their critiques is the danger of “specialization,” which creates a syndrome of disconnection not only from other disciplines (the liberal arts), but also from day-to-day realities. The well-known story of Mohammad Yunus’ experience of teaching economics in the 1970s in Bangladesh during its famine is a case in point. Yunus explains: “Nothing in the economic theories I taught reflected the life around me. How could I go on telling my students make

believe stories in the name of economics? I needed to run away from these theories and from my textbooks and discover the real-life economics of a poor person's existence.”⁷⁵ As it becomes ever more specialized and ever more knowledgeable and technical of particular topics, discipline specialization is always in danger of becoming disconnected from the fullness of life. MacIntyre

argues that many of the recent failures within corporations and government such as the financial crisis, Iraq war, etc., are the product of the misjudgments of an intellectual elite, often trained in the most prestigious universities. What they lacked was not specialized training, but rather, a larger habit of mind, which would allow them to interpret life’s most complex and converging realities.⁷⁶

Business schools will undoubtedly need specialized forms of knowledge and increasingly technical skill, but they also need a tremendous amount of wisdom. This wisdom entails a rich dialogue of various disciplines, a moral ecology, where things are seen in relation to each other. Catholic business schools, along with other mission driven universities that take the liberal arts seriously and foster interdisciplinary work, can lead the way in this important work.

Michael Naughton is the holder of the Alan W. Moss Endowed Chair in Catholic Social Thought at the University of St. Thomas (Minnesota) where he is a full professor with a joint appointment in the departments of Catholic Studies (College of Arts and Sciences) and Law and Business Ethics (Opus College of Business). He serves as the director of the John A. Ryan Institute for Catholic Social Thought, at the Center for Catholic Studies, which examines Catholic social thought in relationship to business theory and practice. He is the co-author and co-editor of nine books and over 40 articles. He received his Ph.D. in theology from Marquette University (1991) and an MBA from the University of St. Thomas (1995). He is married with 5 children.

Rachelle de la Cruz is a Master of Arts Candidate in Catholic Studies at the University of St. Thomas (Minnesota). Since beginning her program in August 2013, she has been working with the John A. Ryan Institute for Catholic Social Thought at the Center for Catholic Studies. She has also worked with several impoverished local communities, as well as abroad,

including Haiti, the Dominican Republic and Appalachia (Kentucky, USA). She received her B.S. from the University of Illinois (2008).

⁷⁵ Mohammad Yunus, *Banker to the Poor* (New York: PublicAffairs, 2007), viii.

⁷⁶ Alasdair MacIntyre, "The Very Idea of a University: Aristotle, Newman and Us," *The British Journal of Educational Studies* (December 2009). See also Matthias Philip Hühn, "You Reap What You Sow: How MBA Programs Undermine Ethics," *Journal of Business Ethics* (2014): 527-541.

