

Chapter 16

Understanding Social Business and Wellbeing at the BoP: The Inspiring Case of Algramo

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ABSTRACT

The interest in poverty reduction has received scholarly attention from various academics studying developmental economics, the informal economy and the base of the pyramid (BoP). This chapter intends to engage with the BoP topic by reviewing research areas that are intertwined: the informal economy, the BoP and perhaps most importantly social business and wellbeing. The chapter introduces Algramo, a BoP venture from Chile that aims to reduce food poverty in Latin America. The focus of this chapter is on Algramo's activities in Colombia as a single case study to better understand the impact of three wellbeing aspects on the stakeholders involved. Although Algramo, a work in progress, is primarily focused on food poverty reduction; this chapter reveals that there are potentially much wider implications that are consistent with BoP literature. Wellbeing is important and merits further study when investigating BoP ventures. The chapter concludes with future research directions for BoP scholars and for those who are interested in the wider impacts of engaging with the BoP segment.

INTRODUCTION

Emerging markets have become an important context in the global economy over the last two decades. Management research has addressed emerging markets predominantly in two ways: 1) understanding the internationalisation of firms that originate from these markets and 2) how to alleviate or reduce poverty by serving poorer segments in these markets. The second topic, which is the focus of this chapter is known as the Base of the Pyramid (BoP). The BoP concept has attracted scholars' attention in the last decade. The topic was first introduced in 2002 by Prahalad and Hart in strategy+business, and initially

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labelled as the ‘bottom of the Pyramid’. The BoP concept attracted a number of Multinational enterprises (MNEs), such as Cemex in Mexico and Hindustan Lever Ltd (a subsidiary of Unilever) in India to venture into this market segment.

BoP research only garnered attention in 2005 when Prahalad (2005) further developed the idea in his infamous book ‘the Fortune at the Bottom of the Pyramid’. Current BoP research is influenced mainly by the work of Ted London who the authors regard as the most encouraging and insightful scholar at present, especially with the William Davidson Institute. Since the inception of the BoP concept, there has been a growing interest with respect to business models and understanding BoP as consumers. Scholars have studied companies that have attempted to design new and innovative business models that target the BoP. Much has been learnt and this is well pointed out by Simanis (2012). The shift from making ‘a fortune at the bottom of the pyramid’ as initially proposed by Prahalad (2005) to ‘co-creation with the BoP’ by London and Hart (2011), emphasises a change in our understanding of BoP ventures. This means that there should be a greater understanding of the impact and wellbeing of people at the BoP (London, 2016).

It can be argued that scholars have mainly concentrated on the theoretical understanding of business models for the BoP segment. The informal economy literature focuses on this company-centric perspective and this is not without merit. However, it is equally imperative to measure or at least form some kind of understanding with respect to the impact on consumers’ livelihoods, and there are traces and hints of this view from the work of Prahalad (2010). This means that a consumer-centric approach becomes more important to understand the BoP more holistically, and to further enhance our knowledge with respect to the impact on BoP consumers’ wellbeing, which can be divided into different types (explained later in this chapter). It is important to understand the wellbeing of people at the BoP as this can provide more certainty that the design of new business models is not only economically viable and profitable, but can provide a positive impact on the lives of those served. Only when we have a deeper understanding in a holistic manner are we then in a better position to more confidently argue for social business models, which is at the heart and ethos of BoP research.

This chapter will discuss important aspects related to the informal economy, BoP research, social business models and wellbeing, before delving into a promising case of a Chilean firm already operating in Colombia in the early stages with the aim of reducing food poverty. The chapter will conclude with future directions and conclusions. The authors begin with information on the informal economy.

BACKGROUND

The Informal Economy

The purpose of this section is to provide some important aspects of the informal economy, where the majority of poor people reside. The research and literature on the informal economy provides a backdrop for BoP research. The more that is known and understood about the informal economy, the more one can better understand and justify the need for BoP enterprises and for further research on this topic. The use of the term ‘informal’ when describing an economy is heavily used by the Peruvian economist Hernando De Soto. De Soto views the economic activities that occur in the informal economy as those that take place outside of formal institutional boundaries, but remain within informal institutional boundaries for large segments of society (De Soto, 1989).

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