



SDG 1: No Poverty - The Role of Business in Poverty Reduction

Topic Overview	Learning Objectives
<p>This lesson provides an overview of frameworks for poverty reduction, including the Base of the Pyramid, frugal innovation, and social innovation.</p> <p>The resources explore how businesses can provide innovative market-based solutions for poverty reduction, economic development, and sustainable development. Students are encouraged to view the base of the pyramid market as more than charity or exploitative labour, but as a mutually beneficial business opportunity.</p>	<ul style="list-style-type: none"> • Describe the role of business in poverty reduction • Identify and describe different mechanisms for reducing poverty and creating value for under-served consumers • Describe the relationship between social innovation, frugal innovation, and social entrepreneurship, and the challenges and opportunities of each • Analyze the market opportunity at the Base of the Pyramid (BoP)
Resource Summary	
<p>Hart, S. L. & Prahalad, C. K. (2002, January 10). The fortune at the bottom of the pyramid. <i>Strategy + Business, First Quarter 2002</i> (26). https://www.strategy-business.com/article/11518?gko=9b3b4</p> <p><u>Summary:</u> This article discusses the world’s poorest 4 billion people, coined the “Bottom of the Pyramid” (BoP), as potential consumers and a huge untapped market. They identify the four tiers of consumers and the inequity of wealth amongst the fourth tier. The BoP market is ideal for technology innovation and leapfrogging to advanced products for MNCs. Those who target this market could become industry leaders as first-movers, and greatly improve the livelihoods of those who live there.</p> <p>For a recent update on the Bottom of the Pyramid, see: Prahalad, D. (2019, January 2). The new fortune at the bottom of the pyramid. <i>Strategy + Business, Spring 2019</i> (94). https://www.strategy-business.com/article/The-New-Fortune-at-the-Bottom-of-the-Pyramid?gko=c5f11</p>	
<p>Fahrudi, A.N.L.I. (2020) Alleviating Poverty through Social Innovation. <i>Australasian Accounting, Business and Finance Journal</i>, 14(1), 71-78. http://dx.doi.org/10.14453/aabfj.v14i1.7</p> <p><u>Summary:</u> This article covers the framework for poverty reduction through social innovation, social entrepreneurship, and frugal innovation. Fahrudi discusses how social innovation can provide essential services, goods, and income for the poor. Additionally, they cover the constraints of social innovation, the base of the pyramid market, and the mechanisms required for enabling social innovation.</p>	
<p>Agarwal, N. & Brem, A. (2017, September 26). Frugal innovation-past, present, and future. <i>IEEE Engineering Management Review</i>, 45(3) 37-41. https://doi.org/10.1109/EMR.2017.2734320</p> <p><u>Summary:</u> This resource discusses the origins of frugal innovation, the current state, and future conditions. Frugal innovation focuses on resource scarcity, simplicity, cost reduction, and achieving required functionalities. Lastly, the use of frugal innovation for inclusive growth, economic development, and poverty reduction is discussed.</p>	



Antúñez-de-Mayolo, C. (2012). The Role of Innovation at the Bottom of The Pyramid in Latin America: Eight Case Studies. *Procedia - Social and Behavioral Sciences*, 40, 134-140.
<https://doi.org/10.1016/j.sbspro.2012.03.172>

Summary: This article looks at eight case studies of Bottom of the Pyramid innovation in Latin America. The author uses the 4P's (Product, Process, Position, and Paradigm) to evaluate the innovation approach.

Homer, A. (2018). *Case Study: Social Innovation and Community Economic Development in Vancouver*. Tamarack Institute. <https://www.tamarackcommunity.ca/library/case-study-social-innovation-and-community-economic-development-vancouver>

Summary: The case is an example of social innovation for community economic development in Vancouver, Canada. The program provides employment opportunities for low-income members of Vancouver's downtown Eastside while filling gaps of employment for local businesses. The program uses collective action to create a healthy and inclusive community.

Discussion and Exam Questions

1. Provide three examples of frugal innovation for the base of the pyramid and describe how they work to reduce poverty.
2. While frugal innovation is often targeted at developing regions, how can consumers in developed countries benefit from these types of products and services?
3. Explain the market opportunity available for businesses to target consumers at the base of the pyramid.
4. According to the Agarwa and Brem reading on frugal innovation, what are the three quantifying criteria for frugal innovation? (Answer: substantial cost-reduction, optimal performance level, and focus on core functionalities)

Additional Resources

[Examples of corporate social innovation](#)
[Examples of frugal innovation](#)
[TED Talk: Creative problem-solving in the face of extreme limits](#)

Related Business Topics

- Innovation
- Leapfrogging technology
- International business / marketing
- Entrepreneurship



Related Sustainable Development Goals Targets

SDG 1: End poverty in all its forms everywhere

1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day

1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions

1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters

1.A Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions

Suggested In-Class Activities

Activity: Mini Case

Isabelle is a Marketing Director at Azula, a large MNE that manufactures and sells consumer goods across Asia and parts of Africa. Their primary target market is middle to upper income consumers in urban areas and metropolitans. Isabelle's department works on the product line of household cleaning supplies, soaps, and detergents. Recently, her team conducted a large market and industry analysis and believes there is a huge market opportunity for targeting consumers of the base of the pyramid in developing regions. She wants to launch a product line of cleaning supplies and soaps for low-income consumers in India, Nigeria, Kenya, and South Africa.

Part 1: Using the concepts you have learned from the base of the pyramid, frugal innovation, and social innovation, prepare a pitch for Isabelle to present to the executives for entering the market.

Part 2: To support her argument, brainstorm how you would market this product line to the targeted consumers. See examples below.

- Product – Selling a concentrated detergent solution, so consumers can add water and dilute at home (cheaper and easier to transport).
- Packaging – Packaging the soaps and detergents in small single-use pods (similar to laundry or dishwasher pods) for consumers who cannot afford to purchase in bulk.
- Price – Providing a discount for those who refill the original packaging.