

POVERTY ALLEVIATION AS DELIBERATE STRATEGY

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ABSTRACT

Corporations justify their strategic priorities with reference to wealth creation and innovation. They do not normally view the alleviation of global poverty as an explicit strategic goal. This paper develops the argument that if TNC's are going to contribute to the reduction of global poverty, their deliberate strategies will need to systematically take into account the known limitations of market based systems, many of which compound the effects of poverty. To achieve this, existing strategies can be augmented in ways that involve partnership with NGO's, governments and trans-governmental networks.

INTRODUCTION

In 2002, the Nobel laureate economist Gary Becker was reported in *Business Week* as saying that “the fraction of the world's population living at less than \$2 a day fell by about 20% during the last three decades”. At about the same time, another Nobel laureate economist, Joseph Stiglitz went on record as saying that the poorest countries, such as those in sub Saharan Africa “became *worse off* at a rate of about 2% per year”. A similar level of ambivalence currently surrounds the empirical relationship between the social and financial performance of business corporations (e.g. [14], [15]). Margolis & Walsh [14, p.269] noted that the literature in this area “reinforces rather than relieves the tension surrounding corporate responses to social misery”, including poverty.

Accordingly, in the present paper, some distinctive forms of poverty are identified, together with a classification of the positive and negative effects of corporate activities on each form. With poverty thus construed as a multi-dimensional condition, poverty-alleviation is seen to require a correspondingly multi-faceted approach. In line with several previous treatments (e.g. [9], [18], [19]) it is indicated that that the process of poverty alleviation necessarily involves (i) a constellation of partnerships involving business corporations, governments and NGO's; (ii) that these partnership relations all need to be internationalised, yielding a global network for poverty reduction, and that (iii) each partner, particularly MNC's, must adopt and deliberately and intentionally pursue the two-faceted mission of poverty reduction *and* wealth creation.

BUSINESS ~ GOVERNMENT RELATIONS

The notion that business activities impact in both positive and negative ways on each distinctive form of poverty can be developed with reference to a fundamental dualism that characterises many issues in the political arena. Just about every claim or proposition concerning the effects of normal business activity on poverty-reduction (e.g. [17]) confronts a counter-claim based on different evidence and that points to a corresponding negative effect (e.g. [7], [11], [18], [22]). Accordingly, newer viewpoints (or models, or narratives) emphasize multiple stakeholders with multi-fiduciary duties; but particularly the possibility of a having enlightened business leaders exerting benevolent influence on all of those stakeholders, even governments (e.g. [1], [6], [9], [12], [21])

Direct support

Businesses often influence governments directly through lobbying towards the adoption of policies that are relevant to the business, but that in turn can effect levels of poverty. This activity was opposed by Adam Smith himself on the grounds that it rarely served the “*public good*”. However, business lobbying can in principle be done for the sake of the wider public interest, as well as for private profit (e.g. [2], [3], [16], [24]). Another direct form of influence is when corporations take covert steps to protect or stabilize existing oppressive regimes. Although stability *per se* confers important benefits, such regimes can often deny the freedoms upon which poverty reduction in turn often depends (e.g. [19]).

Indirect support

In addition, corporations can exert indirect influence on levels of poverty, *via* ideological communications and activities. Privately owned media entities, in particular, benefit from promulgating an ideology that upholds their own status and sustains their own growth. Media-created entrepreneurial “leaders” often speak out in favor of tax reductions. Such business communications can also shift the attitudes of citizens towards poverty. In time, this alters the make-up of governments and their policies towards poverty.

PARTNERSHIP

Sen ([19], p.126) has provided a persuasive explanation of the necessity for “simultaneous progress on different fronts” in order to reduce global poverty. This includes the involvement of different institutions that “reinforce” (rather than confront) each other. Freeman [10] similarly spoke of the need for a contemporary “politics of conversion”. These notions of “reinforcement” and “conversion” imply not only the *joint* pursuit, but also *direct* pursuit of the goal of reducing poverty. Thus poverty reduction becomes a deliberate or intentional strategy of corporations and their managers, in partnership with others; not just an emergent strategy or emergent aggregate level outcome in accordance with an invisible hand. Powerful corporations can potentially take the lead in joint ventures for poverty-reduction, by influencing reluctant or recalcitrant governments towards participating in this project. This is quite a radical reversal of the traditionally construed business-government adversarial self-interested relationships. In addition, NGOs that share the same vision can mediate and further contribute to such a possible re-alignment.

Internationalisation

This entire process can be cast upon a global stage, simply by observing that all the above-mentioned entities (corporations, NGO’s, governments) are each presently pursuing strategies of internationalization (e.g. [3], [5] [13]). National and local governments are participating to an ever increasing extent in trans-governmental networks, or TGN’s. Many corporations are of course becoming multinational or trans-national (TNC’s), whilst most NGO’s have similarly expanded their scope, to become international (I-NGO’s) or what Etzioni [8] has described as “trans-national communitarian bodies” (TCB’s). Many of the latter entities envision an inclusive World community. They operate at the transnational level where they attempt to implement that vision, whilst persuading others to do likewise. The associated business strategy of co-creating an international partnership against poverty, in which all players remain mindful of the known limitations of market based systems, now appears to be the high road to reducing the overall level of poverty in the World.

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