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From CSR to Business Models of Access to Goods and Services for All

The starting point for our conceptual study focuses on corporate social responsibility (CSR). It is linked to the fundamental line of questioning within this research, which we touched upon in the introduction, as to the role of business in the transition to this new era: what responses do the current major transformations and the associated large social challenges assume on the part of businesses? Furthermore what are the requirements for businesses to remain competitive, and indeed survive, in this new context?

We will analyze the trends and past and present discussions, as well as the limitations of this theoretical field.

We will then look into the most recent managerial publications relating to the base of the pyramid theory (BOP), as well as the more limited studies on social business (SB), looking to understand to what extent these concepts can give us new perspectives on CSR.

1.1. Corporate social responsibility (CSR)

The publications on CSR offer several standpoints on the role of businesses within society which cast light on our line of questioning. It seems necessary to us to return initially to the origins of this concept before studying the two questions which these works underpin, in a very schematic and simplistic way:

– The question "why?" – why should businesses play a role in society and assimilate environmental and social aspects within their operational priorities? Indeed this question seems to us to be inescapable. It is as present in the publications in this field as in business managers' minds.

– The question "how"? How should businesses take account of the social aspects and what changes should they manage in their chosen strategies and practices?

We will then study the more recent trend of CSR 2.0, which calls the concept of CSR into question, and offers a new, indeed ground-breaking, method to approach the role of companies within society.

1.1.1. *Origins and definitions*

CSR is a relatively well-defined concept which began with American corporate practices at the beginning of the second industrial revolution from the beginning of twentieth century.

CSR is made up of two notions deeply embedded in protestant principles and practical business needs:

– that of *stewardship* or of *giving back*: successful businessmen must "give back", in particular through philanthropy;

– that of *trusteeship*: those entrusted with property are invited to manage it as if it belonged to them. This idea appeared at the birth of large businesses, which were perceived as a potential threat to democracy [GON 08]. It was the American economist, Howard Bowen in his book *Social Responsibilities of the Businessman* [BOW 53], who introduced the concept of CSR to the academic world.

At that time, he gave it the following definition:

CSR "refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". The more recent spread of CSR in Europe has gone back to a more benevolent tradition.

Since then *academic definitions* of CSR have abounded. Some have opted for a minimalist approach: a business acts responsibly if it does not harm its immediate stakeholders, or at least, if it repairs any potential damage caused by its activity.

Other researchers with a more appealing view of CSR, have asserted that a business can be considered socially responsible when its actions go beyond a basic respect of the law in the search for common good, in its relations with stakeholders.

A. Caroll, a noted author in the field, suggests a reasonably assimilated inclusive approach using a pyramid made up of four levels of responsibility: economic, legal, ethical and philanthropic or discretionary [CAR 79]. The first two levels are requirements, the third is expected and the last is desirable.

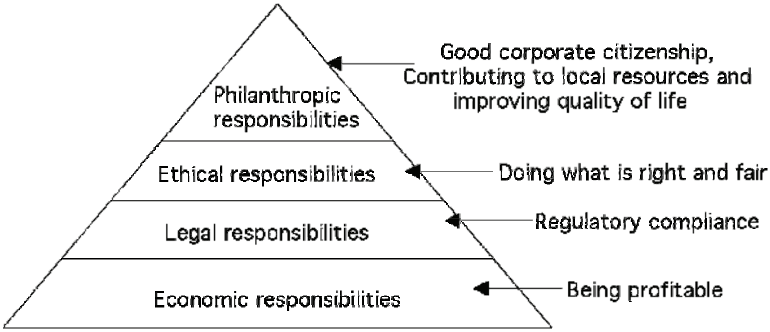

Figure 1.1. *The different responsibilities of busines, per Archie Carroll's perspective [CAR 79]*

This definition shows the importance of distinguishing between the various levels of corporate responsibility. However, it bypasses the interactions between the different levels and the complexity resulting therefrom. Furthermore, from an opportunistic perspective it immediately puts the economic dimension first.

In actual fact, the majority of authors agree in thinking that CSR is a vague concept based upon weak theoretical foundations. Faced with this limitation, some researchers even advocate a proper assimilation of CSR as part of business strategy. They warn against disparate and uncoordinated initiatives, which fit with the most common business practices. Only such an integrated approach will allow business performance and community benevolence to flourish in the long run as, after all, society and businesses are interdependent.

Nowadays CSR is often associated with the concept of sustainable development, another concept which is considered comparatively vague. This notion of *sustainable development* was made famous in 1987 by the World Commission on Environment and Development (WCED), through its report "*Our common future*", known as the *Brundtland* report. It is this definition which we suggest is worth bearing in mind:

> "*Sustainable development "meets the needs of the present without compromising the ability of future generations to meet their own needs*."

The Brundtland report then mentions the needs of "the world's poorest....to whom it agrees to give the greatest priority."

Sustainable development is thus defined as finding a balance between respect for the environment, economic prosperity and social fairness.

According to the European Commission, CSR is also defined as "a concept whereby businesses integrate social and environmental concerns into their business operations and in their interaction with their *stakeholders* on a voluntary basis", elaborating further saying that it is "the contribution of businesses to sustainable development" (European Union, 2001).

The Commission further states that "Being socially responsible means not only fulfilling applicable legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and relations with stakeholders."

CSR and sustainable development are unquestioningly a focus for businesses, or at least for big business, a point evidenced by reports on sustainable development, businesses offering services of the same name and the proliferation of business initiatives. Indeed, businesses are assimilating to a greater or lesser defensive or pro-active extent, a social expectation and an increased regulatory framework to implement CSR. We know the causes: ethical debates, the economic and financial crises and an awareness through public opinion of environmental challenges. Confidence in businesses has been damaged. Institutional pressures have increased on the latter.

These various definitions and the fundamental question which underpins this research lead us to suggest *our definition of CSR which we have chosen to link to the concept of sustainable development:*

> *A business exhibits societally responsible behaviors if, beyond respecting laws and rules, it aims to reduce significantly its negative environmental and social impact, indeed seeks to create positive impacts, thus contributing to sustainable development, as defined by the Brundtland Commission (compare the definition above).*

1.1.2. *The question "why?": why should businesses adopt socially responsible behavior?*

As we have explained, the study of business change, when faced with the major societal challenges, constantly returns to the question of "why": why should business play a social role and find answers to the present challenges?

Before deploying some of the arguments developed by the publications in this field to justify businesses taking a socially responsible approach, it is important to remember the radical challenges to the concept of CSR, expressed by notable authors, and whose theories have widely permeated minds. In part, it includes *Milton Friedman's* theories, which harshly warn against the subversive nature of CSR approaches:

> "*Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine. If businessmen have a responsibility other than maximizing stockholder profits, how can they know what it is? Can self-appointed individuals decide what is in society's interests?" and "It is neither permissible nor prudent to allocate business resources to social causes; this would entail subjecting stockholders, customers and employees to a type of tax, having no respect for democratic principles*."

More recently supporters of the economic approach have asserted that it is in maximizing not just short-term value but also long-term value for stockholders that contributes most to social good.

They refer directly to Adam Smith who advocates minimal state intervention in comparatively free and competitive market context: "Without any intervention of law, therefore, the private interest and passions of men naturally lead them to divide and distribute the stock of every society among all the different employments carried on in it as nearly as possible in the proportion which is most agreeable to the interest of the whole society" [SMI 76]. In their view, decisions on the allocation of resources should only relate to profitable projects.

These two trends develop two arguments as follows:

– corporate managements running social initiatives are, in a way, diverting resources which should be returned to shareholders and eventually employees (the concept of *misappropriation)*;

– resources allocated by businesses to community initiatives are not used as effectively as they could be. That is to say, they could be allocated to the activity which businesses know how to do best: contributing to society through economic wealth creation by producing and selling goods and services in commercial markets. (the concept of *misallocation*).

Faced with such a challenge, which has recently been taken up again with substantiating evidence, what are the arguments in favor of CSR?

We have chosen the classification suggested by Capron and taken up again by Arjaliès, Goubert & Ponssard. It seems to us to clearly reflect the three major categories of reasons which successfully justify the adoption of corporate social responsibility policies by businesses. Three trends have been identified:

– the *business ethics* trend, for which adopting socially-responsible behavior stems from a moral obligation;

– the *business and society* trend, which considers that as the business has society's permission to exist and, in particular, to use resources, the business is hence accountable and responsible to society for the proper use of its resources;

– the *business case* approach, which aims to justify the adoption of a CSR policy using economic arguments, linking CSR to the business's economic performance.

1.1.2.1. *The business ethics trend*

The *business ethics* trend advocates a particular altruism consisting of running initiatives for the common good without any recompense for the business concerned. It seeks to lay down prescriptive foundations for responsible behavior. It is centered upon values and moral judgments which are at the heart of human actions.

This approach is defined by many as post-positivist because it does not seek to explain all phenomena with a scientific approach like that of so-called "hard" science.

This prescriptive approach is for the greater part of the time based on the judgments or perceptions of individuals or categories of individuals. It is, for example, concerned with moral judgments over justifying the choices a manager makes, when faced with a specific dilemma. However, it does not seek to take into account the judgments of all concerned parties. For this reason, it is criticized as it does not necessarily involve the most remote stakeholders, and it is for the greater part of the time permeated by our Western views. It is thus described as "monological".

It is thus why Scherer and Palazzo [SCH 07] advocate an approach inspired by the philosopher Habermas, one of the leaders in the field of critical theory. This approach, the so-called post-positive normative discursive approach, consists of deciding what is and is not right, starting from a consensus of experts and concerned players in the given business activity, united in an approach based upon participative democracy. These authors thus insist upon the political nature of this approach.

We touch here upon the delicate subject of the role of businesses regarding social matters compared to that occupied by states. In a globalized world, where multinational companies transcend borders, their power frees them, in part, from the power of governments, insofar as they can choose the legal context in which they wish to develop. They can either take advantage of a lack of state regulation, with a view to maximizing profits and choose, first and foremost, for example countries where human rights constraints are vague or non-existent. On the contrary, they may compensate for the state disengagement regarding respect for social, civic and political rights, such businesses sometimes contributing constructive game changes through their responsible activities.

From then on, this shapes the political and socially-aware role that these businesses have in the region, whether they intend it to or not.

Obviously this increased corporate power has its limitations. It risks bringing about state disengagement. It raises the issues of the democratic nature of states' power – they are not elected – as well as that of the governance authorities regulating corporate practices, which is almost non-existent in such countries. At a transnational level, only activist NGOs like Sherpa[1] play or try to play the role of a counterpower.

1.1.2.2. *The business and society trend*

This trend is based upon two theories.

1.1.2.2.1. Stakeholder theory

The so-called *stakeholders theory*, was essentially started by Freeman. It stipulates that it is the responsibility – but also in the interests of – the business – and is even a prerequisite for its continuity – to take account of stakeholder interests as far as:

– the business activity affects or might affect, directly or indirectly these stakeholders. It is this potential impact which allows us to define the stakeholders of the given business;

– the support of stakeholders allows the business to exist.

It is therefore a matter of broadening the scope of responsibility of the business and its management, whose role is no longer simply to maximize shareholder profits. Such a change in perspective can have repercussions on the business's economic performance. In some cases it can be demonstrated that the impact on profits will remain positive – at least in the longer term (only in a few cases because some risks will have been avoided). It is true that the case cannot always be made, for example when a business has to relocate, or take staff redeployment measures, which will, out of necessity have a non-negligible cost, without any evident financial return.

1 An association of lawyers defending victims of economic crime.

In fact, the stakeholders commonly included in this approach are the following: stockholders, customers, employees, suppliers and local communities.

The beginnings of this theory are commonly traced back to the Stanford Research Institute's note, from 1963 which identified the term *stakeholders*, a pun on the word *shareholders*. Freeman's works then contributed to the development of this theory. The definition of the term *stakeholders* coined by the latter is today one of the most commonly used: a stakeholder (or interested party) is "any group or individual who can influence or be influenced by the achievement of a firm's objectives."

In 2015, although in diagrams and financial market operation, the neoliberal approach still proves its predominance, in statements, however, a positive consensus appears as to broadening the role of business, as evidenced by the recent and often quoted article by Porter and Kramer, which suggests the concept of creating shared value and no longer solely economic value.

1.1.2.2.2. Neo-institutional theory

CSR has appeared in this theory as a response to institutional pressures: laws, standards, civil society expectations, investors, employees, consumers and other stakeholders. We note the increasing weight attached to civil society, which has appeared particularly with the increase in importance of social forums. The role of the Internet and social networks also deserves to be emphasized. It is currently the subject of research.

1.1.2.3. *The strategic/opportunist approach: the so-called business case*

The strategic approach is based on a two-fold viewpoint. The first viewpoint returns to the notion of business survival: it is the interest of the business to act over the long term and to include social responsibility in its strategy. The second falls within the classical tradition touched upon above: what is good for the company is good for society.

Publications on CSR have been highly focused up to now on this second approach: the *business case*, namely the link between responsible business behavior and economic performance. The issue is indeed serious: if they are incompatible concepts, if CSR means a reduction in competitiveness, then managements are unlikely to see their CSR actions encouraged by stockholders. This being so, however urgent the challenges, managements are unlikely to commit to proactive responses, beyond regulatory compliance.

1.1.2.3.1. Universal business case

Numerous researchers have therefore sought to establish the link between CSR and *corporate financial performance*. They have thus considered the well-known *business case* concept, qualified by some with the word "universal" in seeking to establish a quasi-systematic link between these two notions.

Several works have shown that CSR could in particular be a source for:

– strategic differentiation;

– risk reduction;

– cost reduction: greater efficiency and productivity;

– market access/operating licenses;

– growth in demand.

Orlitzky and his colleagues have thus completed a study entitled "*Corporate Social and Financial Performance: a meta-analysis*" [ORL 03]. They analyzed 52 studies completed between 1972 and 1997 and concluded: "This meta-analysis offers a greater degree of certitude concerning the relationship between social performance and financial performance of the business, than that currently accepted by a number of specialists."

Some have developed a *profit-maximizing CSR* theoretical model, allowing managers to analyze the cost-benefit relationships of CSR investments, in order to determine the level of resources to be allocated to CSR.

However, the *business case* researchers, focused, over a nearly 30-year timespan, on the link between social performance and profitability, have now gone as as far as possible, shown by the inconclusive findings from numerous studies. CSR is sometimes accompanied by an improvement in financial performance and sometimes it is not. Overall it seems that there is a positive, if somewhat weak, link between CSR and short-term performance.

Between 1972 and 2002, 127 studies were published, which examined the link between corporate social behavior and corresponding economic performance. Of the 127 cases analysed, 70 showed a positive correlation, seven studies showed a negative correlation and 50 studies showed nothing meaningful.

The scientific precision of these studies has often been called into question: concerns have included the choice of samples, the insufficient longitudinal nature of research, a lack of control samples, omission of particular variables like R&D and advertising and isolation of causal mechanisms. In respect of the latter the particular issue is supposing that a business is performing on a social and economic level, is there a causal relationship and in what direction does it apply? It may be that a highly competitive business manages CSR issues as it does total quality management: in a professional and efficient way.

Some even speak of the end of a myth. "The Holy Grail of CSR – 'doing well by doing good' although it has a noble air, is an unrealistic aim and is, however, impossible." If the majority of authors specializing in CSR have seen a pertinent study that cannot be ignored, the focus of researchers on this approach can also be seriously criticized: as much time and energy might have been spent on more useful work, such as measuring the impact of social approaches on society.

Nevertheless, whatever the criticisms made about the *universal business case* it has the merit of proving that responsible behavior does not, a priori, tend toward a lesser financial performance, the correlation being somewhat non-negative. For this reason, CSR is not incompatible with business competitiveness. It falls in the end for businesses to choose to use CSR to improve their performance, or at least in doing this, to avoid damaging their reputation.

1.1.2.3.2. Contingent business case

The limits of the traditional *business case* stem without doubt from taking little account of the contingent nature of the link between CSR and the business's financial performance. Barnett [BAR 05] has observed a two-fold contingency.

1) Time contingency: *a priori* the same CSR measurement does not have the same impact on a business's profitability at a given time and some months or years later, the competitive context having evolved;

2) Inter-business contingency: the same CSR investment will have different effects from one company to another.

Other contingency factors are highlighted by publications in this field, concerning, in particular, the impact of CSR on customers [LUO 06]. These show that CSR improves customer satisfaction only if the companies are innovative and offer high quality products.

Moreover, Fisman *et al.* [FIS 05] considered the link between CSR and business financial performance particularly true in the case of products which were, mass-consumed, mass advertized, in highly competitive markets and in sectors where many businesses had adopted CSR strategies.

1.1.2.3.3. Business case and intangible assets

Consequently some authors have suggested another route allowing the limitations of the universal *business case* to be transcended; that is to say intangible assets.

For them the failure of *business case* results from not taking account of intangible assets, the single factor which explains the link between *corporate responsibility performance* (defined by these authors as integral to the business, unlike CSR as they see it, much more discretionary) and business financial performance. Intangible assets indeed assimilate the long-term dimension, when it becomes clear that finding a short-term CSR-financial performance link is fruitless. This is shown when considering the transaction costs generated by stakeholder dialog. In the short-term they can be relatively high: building mutual relationships of trust with the latter assumes a need to allot time and resources. However, *a priori*, they allow for lower costs in building up relationships of trust in the long-term.

By falling within the framework of the *resource-based view* (RBV), this link can be proved. Indeed one of the main representations of this theory explains that in relation to competitors, business resources are competitiveness factors and are therefore strategic, when they are rare, relevant and recyclable, difficult to imitate, and lack both substitutability and transferability.

Intangible assets provide the best guarantee in ensuring respect for these criteria.

Surroca *et al*. [SUR 10] have thus shown that socially responsible business is more capable of generating intangible resources, such as innovation, human capital, reputation and culture than a non-socially responsible business. These resources allow the business to increase its competitiveness and increase its social performance.

The link is bi-directional, leading to a type of virtuous circle. The relationship between *corporate responsible performance* and business financial performance makes up an indirect link *via* intangible assets.

This approach seems very relevant to us as it is very much in the long-term that a business's socially responsible behavior can have an impact. In the short term it is clear that reducing its environmental footprint can have a positive impact on results, for example by reducing energy expenditure, but in a number of cases social performance assumes costs whose return on investment is not immediate.

This approach is in reality very close to the much earlier approaches of Hart [HAR 97], and of Sharma and Vredenburg [SHA 98], insofar as as they use the RBV framework to analyze the link between CSR and financial performance. Indeed, Hart showed that for some types of business, innovative environmental strategies can lead to the development of resources or capacities which give a company a competitive advantage.

Sharma and Vredenburg [SHA 98], attempted to validate Hart's hypotheses, by analyzing the gas and oil sectors in Canada. They deduced that the most proactive businesses in the environmental sphere developed three capacities: the capacity for dialog with stakeholders, the capacity to innovate and the capacity for *high order* learning.

The approach of Surroca *et al.* [SUR 10] can be credited with clarifying the indirect and long-term nature of this link.

We now propose to develop the different intangible assets cited by these different authors: Hart, Sharma and Vredenburg, and Surroca *et al.* Even if the first two spoke of strategic resources more than intangible assets, it seems to us that they in fact treated all assets as immaterial. We have grouped them together, according to the following categories, seeking to understand how they were approached more widely within the framework of the CSR publications.

1.1.2.3.3.1. Stakeholder dialog

The question explored in the publications is the following: to what extent or not does a CSR policy stimulate the capacity for dialog with company stakeholders who make building so intangible strategic resource?

Sharma and Vredenburg [SHA 98] note that businesses which are proactive in the environmental sphere achieve greater success than others in establishing relationships of trust with their stakeholders, whether these be customers, suppliers, local communities, regulatory bodies or NGOs, shown by significantly lower levels of customer complaint.

1.1.2.3.3.2. Learning

In this section, the question is as follows: to what extent if any does a CSR policy allow for stimulation of learning potential, thus constituting a strategic intangible resource?

Sharma and Vredenburg [SHA 98] note that businesses which are proactive in environmental matters succeed in developing superior learning capacities. They indeed acquire new ways of seeing things and interpreting events, thus advancing their beliefs and values, adopting for example circular lines of argument and no longer just binary ones.

1.1.2.3.3.3. Innovation

To what extent if any does a CSR policy allow for stimulation of business innovation capacity, thus constituting a strategic intangible resource?

CSR can give rise to different types of innovation, either technological innovations, leading to product innovation, *process*, or even, for example, managerial innovations or *business model*s. Hart thus talks of this capacity that the most proactive firms acquire to continually innovate, for example, always seeking new means to reduce waste or to consume natural resources. Husted and Allen studied the case of Mexican-based multinationals and noted a strong correlation between integration of stakeholders and continuous innovation.

1.1.2.3.3.4. Human capital

To what extent if any does a CSR policy allow development of a business's human capital, thus constituting a strategic intangible resource?

The publications in this field identify three key areas for human capital growth through social measures:

– appealing to and loyalty of staff, attracted by business commitment to CSR;

– work attitudes linked to responsible business performance: an increased sense of responsibility by different players, commitment toward the organization and more holistically toward society. This results in lower rates of absenteeism, lower staff *turnover*, and increased productivity;

– development of HR practices and organizational efficiency: a policy of human skills development and of *empowerment*. The implementation of flexible organizational structures allows collaborative discussions.

So that CSR initiatives are actually accompanied effectively by an increase in value of human capital, the authors suggest using a number of levers:

– most definitely initiating external communications, but also internally within the business, which is often inadequately done;

– involving employees by making them co-designers of the CSR approach which encourages even greater commitment.

Certain authors even go so far as to speak of emotional commitment which links the employee to the business. This emotional commitment is defined as a "psychological state which refers to emotional attachment to, identification with and involvement in, the organization." A lever to increase this employee emotional commitment, consists, per Grant *et al.* [GRA 08], of offering employees the chance to take part in support programs, in a beneficial capacity, examples being child care centers or specific support granted to poor workers. However they can also contribute – the act of giving reinforces more the sense of belonging and commitment.

Besides this emotional commitment (which if it not conducted with integrity, can amount to skillful deceit by those involved), the involvement of employees in community approaches, satisfies another of their needs – to bring together their personal and professional lives.

1.1.2.3.3.5. Reputation

To what extent, if any, does a CSR policy allow the business reputation to grow, thus constituting an intangible strategic resource?

A CSR policy can contribute to increasing a business's reputation with stakeholders, from the moment that it is considered by the latter as comparatively authentic and genuine. It enhances the business's image at brand and corporate level. It allows the business to attract talent, (see above), to establish customer loyalty and possibly sometimes to establish shareholder loyalty. We see reputation is a general concept which in fact affects several categories of intangible assets: human capital (which we have already mentioned) but also supplier capital and customer capital. It is also called social capital.

1.1.2.3.3.6. Culture

The question to be considered is as follows: to what extent, if any, does a CSR policy permit positive development of company culture, constituting a strategic intangible resource.

The adoption of a socially responsible strategy can give rise to fundamental changes in the business philosophy. Decision-making criteria, ways of working together and group internal and external training, all of which are based upon trust. It can thus develop a culture of dialog, innovation and training.

More recently a new concept has been introduced, which has come to enrich the link between CSR and financial performance in the context of resource-based theory. It is known as the *culturally informed-Resource Based View* by Maurer, Bansal and Crossan [MAV 10]. These authors support the idea that socially responsible initiatives will be, to varying extents, generators of economic value, according to the external cultural context in which the business evolves, as well as the inherent social values in this context. Thus a business which leads initiatives relating to a social problem, for example, the issue of diversity and non-discrimination will be confronted by sometimes very different and heterogenous reactions, according the different social networks and social values which drive stakeholders. Some initiatives might be rejected by social groups and prove in the end to be economically counter-productive. However, conversely, they might be accepted by stakeholders and generate economic value.

The authors cite the case of two businesses. Wal Mart, in 2006 wished to support the National Gay Chamber of Commerce. The company did this with a view to reaching the lucrative segment of gay consumers and suppliers. Faced with an uprising of religious groups and its own employees, the firm renounced its support provoking a boycott by the gay community. Conversely, Canada's Toronto Dominion Bank Financial wanted to sponsor the "gay parade". It resisted all objections and positioned its approach in line with respect for human rights, coherent with its policy of diversity and in the end backed up its image as a diversity player.

This new *culturally informed Resource Based View* explains the importance of widening the business's viewpoint outside of its own field. The resource-based view theory is higly focused on internal forces and thus is potentially powerful.

However even if this latter *business case* approach, focused on the major criticisms leveled at the latter, another criticism remains. It relates to its instrumental and simplistic nature, which is often denounced, which tends to restrict social responsibility to a simple key success factor, that of making profits.

Further reinforcing the instrumental and simplistic nature of CSR, occasionally resources and skills developed thanks to CSR in fact serve the interests of the business, sometimes contrary to general interests. Devinney [DEV 09] gives the example of mining companies who have used skills developed from CSR for practicing effective lobbying, planning to put in place standards, which imposed excessively high costs for small competitors. Practicing lobbying initiatives and encouraging the regulator to impose restrictive environmental standards, to raise the barriers to entry and/or lead masked protectionist approaches are frequently cited practices.

Finally the consistency between businesses and the credibility of their approaches are often harmed as the case of BP showed; where extra-financial rating agencies gave the company a very positive rating between 2001 and 2009 until the disaster of the Gulf of Mexico in 2010.

After studying the three trends which justify the adoption of CSR by a business, two questions occur to us:

– Is the strategic approach incompatible with the ethical approach, seemingly the most remote?

– What business purpose underlies these different theories?

Is the strategic approach incompatible with the ethical approach, seemingly the most remote?

Are the strategic and ethical approaches resolutely antagonistic? Is a reconciliation possible?

One of the trends of CSR ("*Corporate Social Performance*"; CSP), appeared between 1980 and 2000, and suggested an assimilated approach. It sought, above all, to assess the impact of CSP.

This integration has been shown as a diagram in Caroll's pyramid quoted above. Other integrated concepts appeared such as *corporate citizenship* from the French *Centre des Jeunes Dirigeants* (young leaders organization) at the beginning of the 1990s based upon *overall performance* or indeed the accounting framework devised by John Elkington [ELK 98], known as *Triple Bottom Line*, which invited businesses to simultaneously manage economic, social and environmental dimensions.

However, more recently, A. Karnani, the American strategy professor, raised the following debate in relation to these two major approaches to CSR. On the one hand, the ethical/moralistic approach and, on the other hand, the strategic/opportunist approach. If CSR is in fact only a competitiveness lever or factor, then why speak of social responsibility? It is actually only good management conducted in a way which maximizes shareholder profit; nothing new.

Moreover, if CSR is managed in an ethical perspective (involving a possible reduction in profits) it then calls into question the principal of profit maximization, and is not tenable within market logic.

Karnani [KAR 10] has deduced that no paradigm shift is in process and/or acceptable for the markets. The prevailing logic remains unchanged (that of maximizing profit). Society is unlikely to expect business responses to major environmental and social issues. Listening to Karnani, it seems that CSR is at a dead end, as a result of the impossible reconciliation, at business level, subject to market restrictions, between economics and social issues.

Effectively, markets do not reward business approaches to responsibility in a consistent way. Except in very rare cases, markets favor business outsourcing of their negative environmental and social impacts. Indeed, one of the funds which has over-performed at market level is the *Vice Fund*, which finances industries such as tobacco, alcohol, gaming and defense.

In Karnani's view, the only issue, faced with environmental and social challenges, remains the coercive approach. Tough laws regulating businesses and restricting them to reduce their negative externalities dramatically, as well as governance authorities, at an international level, which should be tough and capable of acting ruthlessly in the event of non-compliance with international regulations.

We mention here, in passing, another debate, which is of equal importance and linked to this question of ethical and strategic reconciliation of dimension: regulation versus voluntary commitment.

This clear perception of an impossible reconciliation of business economic and social dimensions rests upon several classic examples of representations and beliefs, which are sometimes (but not necessarily) concomitant; although located at very different levels they are nevertheless intertwined:

– the short-term logic of the financial markets is too powerful to allow a significant evolution of the logic of maximizing profits;

– whether he is a worker, manager or financial player, "*homo economicus*" is, above all, driven by the pursuit of his personal interests.

We notice that very different anthropological and philosophical views and very diverse perceptions of "*homo economicus*" underpin this debate:

– his degree of freedom and the extent of his capacity if any to initiate changes to the course of events;

– the extent, if at all, to which he is capable of altruism. Is he uniquely focused upon himself and his own interest, or is he capable of acting without financial motivation, and even of gaining a sense of accomplishment through giving?

The skeptical point of view of some, contrasts with the more optimistic perceptions of others on human nature: Mintzberg, for example, in his article *Beyond Selfishness* in the *Sloan Management Review* [MIN 02] denies the uniquely selfish nature of "*homo economicus*." He invites managers to restore an equilibrium between the pursuit of personal interest and the capacity of commitment to helping others. He mentions the urgency of it and details the reasons for this: the feeling of deception on the part of company workers, who perceive how much *stockholder value* threatens their position; growing inequalities, for example in the US. In 1989, there were 66 billionaires and 31.5 million people living below the poverty line, while in 1999, there were 268 billionaires and 34.5 million people living below the poverty line.

Other authors mention that the responsibility will not play out uniquely at organizational level. The individuals themselves can become driven by the personal values of the agents for change. Some mention that sometimes "even" financial players are human beings capable of a sense of morality and bringing about an element of change to practices.

M. Yunus often sets out his view embedded in *social business*. He believes that current capitalism is driven by a false image. He rises up against the one-dimensional view of the individual which underpins it. He considers that man is not only selfish. Although it is true that effectively he is, he is also capable of acting without selfishness and of giving. We notice that those with more confidence in the possible reconciliation between economic and social dimensions are those for whom regulation is not the only lever, even though it may remain important.

Lastly, some take the debate beyond the intentions that drive economic players (whether businesses or individuals), when they manage CSR initatives. Whatever their intentions, whether they are self-seeking or altruistic, in the end only their efficiency counts, that is the extent if any to which they have contributed to resolving societal problems.

To conclude this point, in the event that the hypothesis proves to be true or the concepts of *social business*/BOP are effectively vectors of *reverse innovation*, for this reason enhancers of efficiency given their societal dimension, we may have to consider new paths to reconciliation between the ethical and the strategic approach. The concepts of *social business*/BOP will be defined in more detail in section 1.2.

1.1.2.4. *What is in the purpose of business?*

The question of the purpose of business obviously underlies the two main debates mentioned above.

Is the purpose of business to:

– to maximize shareholder value?

– to produce goods and services useful for society and/or individuals? (However, who is able to judge their usefulness?)

– to create value for principal stakeholders thereby satisfying their expectations? (However, who are the stakeholders?)

– to contribute to the common good?

We can formulate this question in a more hypothetical way:

– is the purpose of business to maximize profits while under economic and social constraints?

– alternatively can it maximize its social impact while constrained by economics?

– alternatively might it increase shared value, which would please its stakeholders?

In that sense, *social business*/*BOP* (see section 1.2) are central to this fundamental question suggesting:

– a primary societal purpose for *SB*;

– a dual economic and social purpose for *BOP*.

We have thus explored the main arguments justifying the adoption of CSR by a business: the *business ethics* trend, the *business and society* trend, and the *business case* approach. We have deduced two fundamental lines of questioning relating to the reconciliation or the divide between the ethical and strategic approach, as well as the purpose of business.

We will now tackle the “how” question: what methods allow a company to implement a CSR policy?

1.1.3. *The question of "how?": how can businesses implement socially responsible behavior?*

A more recent debate, still in progress, concerns the theoretical angle of CSR. Should researchers, in the end, endeavor as a priority, to justify "why"? Shouldn't they instead focus on "how"?

Up to now, academic publications in the field have very much endeavored to answer the question "why": why is it in the interests of businesses to implement CSP strategies? Is there a competitive advantage factor? As we touched on earlier, numerous studies conducted on the relationship between CSR and business financial performance have not produced clear conclusions, even if they are reasonably positive. Consequently, as John Ruggie, of Harvard University's Kennedy School for Government, quoted by *The Economist*, has said, the question is not, ultimately, "why" businesses should adopt CSR behaviors but "how"?

The reality is that the context has changed and that our society is confronted with very great transformations which it has become impossible to completely ignore. Civil society (through NGO and media pressure), regulations, and even financial markets (with the development of responsible investment practices) are pressuring businesses to become aware of this. Climate change, depletion of natural resources and the increase of social inequalities become an increasingly critical issues for our whole civilization and for business.

To deny such a context and the increasing constraints to which business are now subject to, and will increasingly be, would be counter-productive and contrary to their interests. It is better to accept the constraints and to try to turn them into an opportunities. Moreover, seeking to attempt a complete reconciliation between social and economic dimensions is equally utopic, as the limits of the *business case* prove.

In that sense, we must also accept the inevitable inherent tension in company operation at present, subject to a dual increasing constraint on the part of civil society to contribute to society's pressing needs on the one hand, and by shareholders, often demanding increased profits, on the other hand. We should get away from this tension, from all contradiction which companies go through, the ambiguous expectations and motivations of all concerned, and accept the complex and contradictory nature of each individual and organistion, namely, "a complex mix of virtues and vices which cannot be separated out" and "to accept the ambiguity as the starting point of our line of questioning."

It is right to wonder about the "*how*" and even the "*how well*": how should we develop CSR behaviors balancing the good of society and company competitiveness, at this point betting that it is possible? How should we "discover, conceive and reinvent the right ways to live together", transforming the different constraints and tensions into opportunities and levers?

A wealth of publications have thus developed that study to what extent CSR and the new constraints can constitute opportunities for businesses. Porter's "hypothesis" supports the idea that increased environmental regulatory constraints, when they are well thought out and particularly favor better resource productivity, can stimulate innovation and reinforce company competitiveness [POR 11].

In practice, the current highly constrained context forces them to reinvent capitalism, to innovate in fresh ways to institute new growth. With a greater social emphasis, Prahalad and Hart [PRA 02] considered that poor populations, those at the so-called base of the pyramid, make up an opportunity for businesses, reducing poverty while developing new growth markets.

What have the academic publications to say about the means of implementing CSR? We will start by studying the trigger factors, before analyzing the implementation process.

1.1.3.1. *Analysis of trigger factors*

First of all, what are the trigger elements? The CSR publications, which abound with investigations of a positivist nature, go along with such an analysis. We will review these elements, reasonably succinctly, as, above all, our aim is to study the "how". Nevertheless, these trigger factors are interesting, and in some cases, they constitute genuine key success factors, as for example, management team commitment, which we will talk about below.

The publications illustrate that trigger factors are, above all, of an institutional nature. There are diverse pressures exerted upon businesses: regulatory pressures, *soft law*, civil society, media, financial markets with the development of social investment being responsible for "copycat" phenomena. Trigger factors may also be internal. Leadership commitment is often underlined, hence special attention to manager recruitment and training. This commitment guarantees genuine integration of CSR in business practices, which are otherwise run from the sidelines.

Waldman *et al.* [WAL 06] believe that the transformational *leadership* of some leaders, particularly distinguished by an intellectually stimulating behavior, is combined, with greater investment in resources and business capacities, and favors greater societal and financial performance. Several authors analyze these internal factors from an RBV perspective. Thus the international nature of the business is exploited, thus allowing the chance to discover numerous good practices in countries where the organization locates subsidiary plants.

1.1.3.2. *Process analysis*

Having explained the the trigger factors, the question is now the following: by what process will the business completely change its practices, to respond to pressures exerted upon it, and provide answers to current major social challenges?

We accept two types of approaches:

– the description of major stages between a defensive, often seen at the beginning, and a proactive business commitment.

– the analyses of the levers allowing the passage from a defensive attitude to proactive commitment.

1.1.3.2.1. From a defensive attitude to one of proactive commitment: description of the major stages

Some authors study the process of learning and commitment of particular businesses, highlighting the major stages of this process.

Simon Zadek [ZAD 07] describes in the Harvard Business Review the five stages of learning undertaken by Nike as regards social responsibility:

1) Defensive stage (specifically in Nike's case, in relation to NGO attacks on child labor): the company rejected the attacks and denied its responsibility;

2) Acceptance stage: the company began to perceive its reputation was at stake;

3) Managerial stage: the company appreciated that there was a long-term problem, for which managers must be made responsible with, for example, modified objectives agreed with buyers and also to payment methods;

4) Strategic stage: the company understood the importance of a more global approach and redefined its strategy;

5) The so-called "civil" stage: the company embarked upon promoting a collective social initiative. This involved contributing toward changing the whole of the industry. Some businesses go as far as thinking in terms of a "meta-strategy": "Thinking in terms of a meta-strategy involves considering the future role of the company in society and the stability and the openings within global society."

Googins *et al.* describe their view of the different stages of *citizenship*, on the basis of studies led by the *Center for Corporate Citizenship* in Boston over several years on business managers in companies, such as Abbott, JP Morgan, IBM, Cargill, Manpower and Cemex. Here are the stages:

1) elementary stage during which the business respects laws and acts in a rather reactive way;

2) commitment stage, during which the business starts to adopt a more proactive attitude; business leaders understand the stakes and particularly decide to reduce the business's negative impacts setting their sights on operating in this way;

3) innovation stage, based upon a dialog with stakeholders and implementation of key performance indicators, targets and evaluation reports;

4) integration stage: implementation of economic, environmental and social performance management, as well as organization and managerial levers, determining an ambitious vision statement such as that of Ray Anderson, the manager of Interface, American fitted carpet company who defines his ten-year vision statement as: "Zero environmental impact." Several processes are thus modified;

5) transformation and game changing: The business in transforming itself contributes for example more extensively to an inclusive economy. Smith thus cites the case of Hewlett Packard which has put in place a strategy aiming to reduce the digital divide.

These descriptions are advantageous in clarifying the different possible stages in corporate social responsibility and give some indication as to the means to implement them. Nevertheless, they remain a little superficial. They do not, for example, analyze the obstacles to the passage from one stage to another.

1.1.3.2.2. From a defensive attitude to proactive commitment: the levers implemented

Some authors have focused on the levers used in one or several stages of the commitment process. Their research seems in line with our initial line of questioning. This is why we mention it below in some detail. Dontenwil and Reynaud [DON 06], for example, studied the role of a dialog approach with stakeholders, in setting up a sustainable development policy through an urban transport business.

They identified four main stages:

– the problem occurrence;

– the problem overview;

– definition of a new strategy;

– decisions on strategic focuses and choice of methodology.

They deduced from their observations that stakeholder dialog had added value to some problem overviews and when assessing strengths and weaknesses. However this dialog sometimes caused delay while working out a strategy. The large number of stakeholders and the sometimes contradictory nature of their interests, make the process of strategy definition heavy-going. The approach of stakeholders involves the limitation of neglecting environmental dimensions, which are harder to represent.

Other authors have analyzed internal levers, allowing the passage from a relatively simple phase to a more marked commitment.

Arjaliès and Ponssard [ARJ 10] have studied the impact of management systems on traveling from a defensive to a proactive approach as regards reducing CO_2 emissions. They have identified more precisely through three case studies, Lafarge, Unilever and Dupont, two main phases:

– a primary so-called "conformity" phase, where the company approaches CSR from the risk management and compliance angle;

– an "opportunity" phase, where the company perceives the opportunities underpinned by CSR and defines a vision statement.

They use the decision-making approach conceived by Simons to analyze the management systems implemented by these three companies as levers for strategic renewal [SIM 94].

Let us recall his definition of management systems. It focuses on procedures and formal routines based upon information, used by managers to maintain or modify organizational operation. He identifies four categories of systems.

– *Belief systems:* they consist, for example, in value or mission statements;

– *Boundary systems*: these systems define the sphere of activity;

– *Diagnostic control systems*: these systems involve business plans and budgets, as well as budget monitoring tools/*reporting*;

– *Interactive control systems*: they encourage learning in a more bottom-up approach.

Arjaliès and Ponssard [ARO 10] thus analyze the development of these four categories of management system between the so-called "conformity" stage and the so-called "opportunity" stage.

Thus, for example for Dupont, diagnostic systems have developed from a simple measure of emissions at plant level by implementation of consolidated emission measurements, using chart parameters and nominating a sustainable development manager.

They identify two conditions necessary to pass from the "conformity" stage to the "opportunity" stage as following:

– a transversal approach;

– a comprehensive transformation of the four categories of systems aligned to strategy.

These different approaches provide us with interesting indications of the feasible methods to implement CSR policies. They focus on one particular category of lever and take place exclusively at organizational level. The role of individuals other than that of managers, was not studied.

Moreover, as Arjaliès *et al.* emphasize [ARJ 11], empirical comparative studies should be carried out on a sector by sector basis. Significant differences appear, for example, between the chemical sector and the cement sector. Structural constraints, such as the dependence of the production process on natural resources and the structure of the downstream sector, may hold up or encourage the adoption of proactive CSR policies by business.

These issues are part of a large sphere of research as yet to be investigated .

The study of *reverse innovation* and the transformations generated by *social business* type approaches, or BOP, will allow the question of "how" to be approached from both a different and complementary perspective.

1.1.4. *Are we heading toward CSR 2.0?*

Recently, Wayne Visser, a Cambridge professor, declared CSR a failure [VIS 11]. He advocates a genuine transformation of economic models and suggests upgrading to CSR version 2.0.

CSR has definitely failed. Although, we have to admit that there have been many micro-level improvements, at a macro-level, social and environmental indicators are worryingly in decline. The climate continues to warm up, natural resources to dissipate and social gaps to widen. As he says, "the global financial crisis represents 'a multilevel failure of responsibility – from the individual and corporate level to the finance sector and entire capitalist system' [VIS 10]. Underlying this failure of responsibility lies a cancer of greed that has corrupted our business systems, governance and ethics, particularly in our Western economies."

Visser's point of view is close to that of M. Yunus, who often criticizes the greed undermining the current system and asserts the urgency of devising a new capitalism. He acknowledges that businesses are not the only culprits, states, civil society and consumers, are also to blame. Visser advocates new breakthrough models and the removal of and transformation of the previous models. He believes that all players should decisively compete, and businesses in particular should do so.

Returning to the latter, to a degree following the example of the authors mentioned previously in the part on "how", he identifies several stages of commitment:

– stage 1: "defensive" CSR belonging to the "*age of greed* ";

– stage 2: "charitable" or "the age of philanthropy" CSR: the company finances initiatives bearing no relation to its core business;

– stage 3: "promotional" or "the age of marketing" CSR: the company sees CSR, as above all, a means to improve its image;

– stage 4: "strategic" or "the age of management" CSR: the company defines a CSR strategy which is assimilated into its core business;

– stage 5: "systemic" or "the age of responsibility" CSR: the company endeavors to identify and obliterate at source, all incidents of non-sustainability, generated by its business, and does so using the following levers: the implementation of new economic models, process innovation and intensive lobbying to change laws and standards.

He agrees that few companies have reached the CSR "strategic" stage, and that even fewer are at the "systemic" CSR level. In fact the core paradigms have not changed.

Visser cites several pioneers, such as founder of The Body Shop, Anita Roddick, the founders of Ben & Jerry's, Ben Cohen and Jerry Greenfield and the Chairman/Managing Director of Interface, Ray Anderson, who sees himself as a one-off, to lay down the the principals for the CSR 2.0 Revolution:

– creativeness and innovation;

– capacity to deploy and replicate new models;

– *responsiveness*, based on greater transparency, openness and knowledge sharing (mirroring Web 2.0);

– *glocality* that is to say this capacity to "think global and act local";

– recycling, allowing the transformation of waste into resources;

– social contribution to communities;

– environmental integrity, consisting of ongoing research in the maximum reduction of environmental impacts;

– fair value-sharing.

He suggests a new conception of business purpose, that is not maximizing shareholder profits, but serving society, by producing high quality healthy products and services, which increase our well-being without damaging the earth's ecological and community systems.

We note that the most marked stage of commitment, that of "systematic CSR" is close to stage 5) – that of "transformation and game changing" cited in section 1.15.

Moreover, other authors highlight the following immense challenge: that of turning an unsustainable economy, heading for worrying levels of global warming and depletion of resources, into a sustainable global economy. Thus in particular, Hart in a article in the Harvard Business Review *Beyond Greenings: strategies for a sustainable world* [HAR 97], considers that in responding to our needs today, we are destroying the capacity of future generations to respond to theirs. Businesses must no longer simply be content to reduce their negative impacts or even to eradicate them as such an arrangement will lead, in absolute terms, the position worsening. The current state of our world necessitates a more ambitious approach creating positive impacts. For example we must, as a minimum, restore the environment and not merely be satisfied with mitigating any damage caused to it. He advocates the development of new technologies, so called "clean" or "green" technologies, the implementation of strategies assimilated within the business, new relationships with suppliers, customers and public bodies. He invites businesses to educate their customers.

However, Visser goes further through the principles of CSR 2.0: he advocates tangible breakthroughs.

We share this point of view of CSR 2.0, regarding the limits of CSR, just as it has been approached by academic publications in the field and practiced by managers over the last few decades. Several authors have raised the limits of the most evident trends in CSR-related publications, in particular:

– the limits of the *business case* approach: much effort has been spent in justifying businesses adopting social behaviors, however there has been very little work on the strategies for adopting such an approach;

– the limitations of the comparatively prevalent stakeholder approach. Often seen as progress, it promotes taking account of business stakeholders. However, stakeholders, above all, are generally immediate stakeholders, that is to say shareholders, customers, employees, suppliers and local stakeholders.

Indirect stakeholders are future generations or populations in remote countries who are rarely, if ever, taken into account. Others pick out the “socio-centric” nature of the stakeholder approach, to the detriment of the environmental dimension, which has a tendency to fade into the background.

Moreover, if we cling to the traditional CSR definitions related to benevolent managerial behavior, which involves going beyond applying standards, and acting in a responsible way, there is no obvious link with innovation. A manager acting in a responsible way may tend to reduce his negative impact, particularly at the environmental level. We may assume that he will succeed in making incremental changes, without major innovation and without making broader game changing strides.

We believe that a highly ground-breaking approach, based upon a paradigm shift is essential and that its emphasis should be centered on the question of hanges.

Several authors talk of a necessary paradigm shift, which, however, they do not always believe in. American researchers Gladwyn, Kennelly and Krause suggest a new paradigm, that of *sustain-centrism* in substitution for two prevailing paradigms, those of techno-centrism and *eco-centrism*.

The main aspect of *techno-centrism* is man’s dominance over nature, and through trust without any specific limits on human ingenuity or market forces. This clearly prevails among managers and business leaders and has a tendency to differentiate man from nature.

Eco-centrism is characterized by the superiority of nature over man and the conviction that sustainability is not solely dependent upon ecology, whatever the prevailing economic and social conditions.

Sustain-centrism of nature over man and the conviction that sustainability is not solely:

– global: assimilating human, socio-economic and environmental aspects;

– systemic;

– focused upon sustainability;

– integrating the finite nature of our planet and nature’s cyclical course into human behavior.

Upon returning to the traditional CSR perspectives, we notice that they were worked out in the context of the “old era” described in the introduction, globalization in the second half of the twentieth century, marked by even more abundant resources which were almost free (where no externalities were taken into account), through development gaps which allowed for using a low-cost workforce in the so-called developed countries, due to a relatively stable global economic and political climate, resting upon the myth of unlimited growth. Our global economy is fundamentally based upon this growth.

Certainly businesses had started to become aware of the planet's finite nature and the changes that were happening. Within the framework of incremental changes, they had put in place comparatively disparate initiatives. However, henceforth, the constraints with which they are confronted, are of a new order and will only intensify in the years to come: among the points already touched on, we can cite a carbon-free economy, for which no one is properly prepared, access to resources which, for many, has become highly critical, a growing pressure forcing businesses to assimilate negative externalities, one of them being the increased scarcity of resources. Up to now, the markets have operated without a forward-looking vision or assimilating the future scarcity of resources.

Economists predict a weakening economic environment in the years to come, in particular in the older industrialized nations, which could translate into a fall or, at best, stagnating levels of GDP A recent report produced by an English economist requested by the British government endorses this view.

We know that technological progress, and in particular, eco-efficiency in the use of resources may struggle to compensate for increased consumption linked to demographic growth and population development.

Some doubt the capacity of businesses to undertake the necessary changes, given short-term market pressures.

Karnani, as we touched on above, thus believes that nothing significant will be achieved by businesses, without tough regulatory constraints. Considering the failure of the recent negotiations upon the implementation of global environmental governance (examples being Copenhagen in 2010 and Rio in 2012) all expectations of regulatory and fiscal constraints are uncertain. If the implementation of the latter is necessary, a benevolent initiative on the part of businesses is also essential, for society on the one hand, and for its survival on the other. In fact in terms of access to resources, more and more worrying situations will confront them. We can reasonably think that only those with the know-how to undertake the required changes using the following two-strand approach will survive:

– on the one hand, reduced dependence upon resources and;

– on the other hand reinforcement of their social acceptability. This acceptability allows them to obtain the right to operate in an increasingly demanding society with respect to them, becoming a prerequisite to access the remaining resources.

Faced with the limits touched on above and the reasonable skepticism of some as to the changes which are needed, our suggested approach is to reflect upon the ways to get out of this impasse.

It rests upon:

– acceptance of the ambiguity of all CSR approaches undertaken by businesses;

– the assumption that new "possibilities" might emerge, in order to study in what conditions and how, such possibilities might take shape.

Consequently the concepts of BOP and SB seem to us to open up new perspectives a priori in line with the majority of CSR 2.0 principles previously cited: creativity and innovation, capacity to deploy, capacity to "think global and act local", recycling, social contribution to communities, environmental integrity and fair value-sharing.

The aim of the following research is to explore what more the publications in the field say relating to the managerial aspects of SB and BOP: what are the definitions, the issues, the strategies and the conditions for success? What is the relationship between the two models, although often still very limited and "marginal", and the rest of the organization?

As stated in the introduction, we have chosen to focus upon social approaches to accessing goods and services, where *social business* and BOP converge (the so-called SBOP), and therefore directed toward the poor, aiming for a dual economic and social purpose, which is not exclusively directed toward profit maximization.

1.2. Social models providing access for all – BOP/social business

1.2.1. *Introduction to poverty and market approaches*

One of the essential strands of the relationship between business and society concerns poverty. One could think that it should come below the environment or at least run in parallel to the environmental strand. In fact, it cannot be disassociated: above all, global warming and the increased scarcity of resources impacts upon the poor, who are the most dependent on their immediate natural environment, in particular in rural areas, but also in towns, where water supply, waste and pollution issues in particular affect the lives of inhabitants. The urgent nature of the situation is obvious, particularly when one considers the hunger riots of 2008 and the famines in 2011. Conversely, we often see negative consequences of poverty on the environment, as the case of smallholder farmers being forced to clear forests to survive demonstrates.

Moreover, it is clear that globalization has had its winners and losers and that countries in the northern hemisphere have become richer through low-cost intensive exploitation of natural and human resources of those in the Southern Hemisphere. The gap between the rich and poor continues to increase, stirring up the developing world's frustrations and anger.

Voices calling for a more inclusive economy are on the increase. Some consider that the fight against terrorism which represents one of the most significant risks of the twenty first century assumes the need to fight poverty, while knowing that individuals deprived of everything are reluctant to attempt to defend the market economy. The fight against poverty has become a necessity, as is reflected in the UN Millenium Development Goals and more recently in the Sustainable Development Goals.

Moreover, as was touched upon in the introduction, some managements realize that business prosperity cannot be envisaged in a completely degraded environment. Notably, in August 2011, there was a significant measure by sixteen CAC40 business leaders who decided to suggest introducing a “special tax “ which gave rise to a tax on very high salaries. Each leader was in fact fearful of an increasing uprising by the progressively socially and economically vulnerable, in the face of wealth accumulation and considerable salaries of some executives.

Faced with this persistence, indeed the increasing poverty and gaps, the limitations of traditional approaches to fight poverty are criticized, and many players are calling for greater account to be taken of the voices of the poorest people, to better work out the various aspects of poverty and to involve the most destitute in the fight against poverty.

It is essential to develop market approaches as a necessary alternative. While certainly non-exclusive, they complement philanthropic initiatives and subsidies which remain useful in order to finance, for example, education initiatives, infrastructures and initial capital injections.

These correspond to a two-fold process:

– the tendency of NGOs and the third sector to develop lifelong and profitable economic models allowing them to be less dependent on subsidies and complete their philanthropic initiatives;

– the trends of multinationals, who find themselves forced to broaden their operational sphere to emerging countries: given pressure from shareholders who are often demanding double-digit growth rates, and, from henceforth, the highly reduced growth rates (of the order of 2–3%, indeed often less) in developing countries, as well as hyper-competition, which reigns therein, they are often obliged to turn toward emerging markets and to move down to lower levels of the pyramid. In doing so, their hope is that today's poor will become tomorrow's middle class.

1.2.2. *The set of BOP themes*

1.2.2.1. *The opportunities and threats of BOP*

At the end of the twentieth century the concept of "Base of the Pyramid" thus appeared, in particular in the writings of Prahalad and Hart.

The base of the pyramid markets (BOP markets), generally located in developing countries are important sources of entrepreneurial opportunities. The definition of BOP has evolved through researchers and institutions, leading to a certain amount of confusion. For Prahalad, the BOP populations are those earning less than $1,500 per year in terms of comparative purchasing power (CPP). We note that this indicator represents the price of "an identical fixed basket of market goods and services, this being a standard comparison of actual prices." It affects a population of around 4 billion people. Others consider that the limit stands at those earning $2 or less per day.

The World Resource Institute defines these markets as corresponding to populations whose annual average income, in CPP terms, is less than $3000 (US$ 2002). In spite their poor incomes, these inhabitants are confronted with a paradox which is, from now on, known as a so-called economic "double penalty". They generally pay more for several goods and services than inhabitants living in more well off areas, as they buy less at small stalls and sometimes from economic players (such as users – those lending money at unreasonably high interest rates) who profit from their economic vulnerability.

The World Resource Institute values the BOP markets at around US$5 trillion per year, while Prahalad values them at US$13 trillion [PRA 04].

On the one hand, despite some disagreement on the figures, and the limitations of such a reduction in poverty, through, on the other hand, addressing the single issue of income when we know very well that poverty is a complex and multi-dimensional phenomenon [SEN 00]. Despite some disagreement on the figures, and on assimilating poverty to small earnings, when we know that poverty is a complex and multidimensional phenomenon, base of the pyramid populations should be considered seriously.

They represent a huge potential of growth, especially for multinationals of developed countries, all the more as their standard of living should increase, particularaly in emerging/fast growing countires.

What distinguishes these populations, more than their incomes which vary greatly from region to region, and are therefore endless sources of debate, is their exclusion from the capitalist system and their belonging to informal markets.

Moreover, Prahalad and Hart [PRA 02] consider that besides the business opportunities offered, the base of the pyramid markets are also an opportunity for multinational companies to bring an added social value: to contribute to poverty reduction, while developing a profitable economic activity with strong potential, such is BOP's dual challenge. In this sense, we could say that in the view of these researchers BOP themes that come within a corporate social responsibility approach may contribute to restoring confidence in big business; a confidence affected by scandals, such as Enron and Volkswagen more recently.

Nevertheless, there is still ambiguity around this concept, admittedly linked to a social responsibility approach in the view of some, but, above all, implied with business and profit maximization in the view of many, and particularly practitioners. BOP is becoming implicitly associated with the primary purpose of making profit, at odds with *social business*, whose primary purpose is social impact.

We suggest using the following definition for BOP:

> *We will use the term "BOP approaches or models" to refer to the economic models detailed, in a dual economic and social approach, close to the populations located at the base of the pyramid, allowing them to access goods and services at affordable prices*.

By using economic and social considerations, authors like Prahalad and Hart are thereby inciting businesses who are interested in the poor populations of emerging countries to innovate and construct new hybrid economic models, sometimes offering greater added value at a lower cost.

Moreover for a multinational, locating in the BOP markets is a route littered with threats:

– *External threats*:

These markets are often characterized by failing or inexistent infrastructures (roads, communication and distribution networks).

They are also noted for a lack of formal institutions and weak property rights. Businesses are faced with the risk of sudden legislative changes, compulsory purchase orders and infringement of intellectual property rights. Informal markets have a large share within the BOP markets. Reliable statistical data is rare and furthermore, does not take into account informal markets. The evaluation of market potential is even more difficult for multinationals. Economic activity is subject to specific mechanisms, which depend for example upon local social norms, trust and family ties [SOT 03], mechanisms that multinationals have no control over. Their traditional partners are often unstable and capricious. Governments are in many cases corrupt. Moreover multinationals from developed countries often suffer from a bad image inherited from colonization. What is more, competition with multinationals from emerging countries becomes fierce.

– *Internal threats*:

The managers of multinational companies tend to sometimes project the development methods used by their own countries even though they are in emerging countries whose stages of development can be very different, as with the communications industry for example, which in emerging countries bypassed traditional forms and went straight to the mobile telephone. They also project northern solutions on the realities, cultures and consumer habits which are often very different to their own.

Faced with multiple threats, the BOP authors have written several analyses and recommendations regarding key success factors. For them, the opportunities that these markets represent make overcoming these difficulties worthwhile.

In his book *Fortune at the Bottom of the Pyramid* [PRA 04], Prahalad bases his work on the observations of the pioneering work of several businesses, in particular in India, to make recommendations for businesses to target the base of the pyramid population markets. Likewise, Anderson and Markides in their article *Strategic Innovation at the Base of the Pyramid* [AND 07a], suggest highly operational tools for businesses aiming to implement proactive strategies. In their view, it is essentially a matter of rephrasing the 4As: "*affordability, availability, acceptability, awareness*".

The 4As framework seems to us highly pertinent to synthesize the major traditional challenges which multinational companies are confronted with when they seek to set up in the BOP markets, a point which the academic literature touches on.

Affordability is the first challenge: offering affordabl*e* products to those whose incomes are close to $1 to $2 a day, two thirds of which are given over to food costs. Thus, for example, in the Communications field in the Philippines, prepayment cards were in sold in the beginning for $2, which equated to more than 80% of the daily income of half of the population. Smart Communications therefore had to innovate with top-ups of around USD 50 cents, just like the individual shampoo sachets developed by Unilever. This means of affordable communication also came to respond to another need: person to person currency transfers thereby developing *mobile banking*.

Accessibility – making products available is the second challenge, in particular:

– in rural areas, which are poorly served, indeed unreachable, due to inadequate road infrastructure, India, for example, has around 600,000 villages spread over an immense area and;

– in the slums, known for their violence, where no one living outside of their perimeters dares to venture, which amounts to a fresh major challenge.

Multiple innovations in the supply chain sphere and, in particular, distribution have thus been implemented by groups, such as the Avon franchise networks, where women who are micro-franchisees cover Amazonia by train, boat and canoe to serve isolated communities. We can also cite as examples, the door to door distribution models put in place by Unilever and Danone. This issue of last mile delivery is the subject of several research studies as it is very often amounts to a "crux" for businesses.

Acceptability is the third challenge. Products may be rejected owing to the culture and local customs of a country. Businesses must therefore understand cultures and customs and offer products which are acceptable to the market concerned. Thus the Indian subsidiary of Unilever (Hindustan Unilever Limited, HLL) noted that poor women used very little cheap shampoo as they feared damaging their hair, preferring to wash their hair with plain soap. HLL in consequence developed a dual purpose product (soap and shampoo), *Breeze 2 in 1* which met with great success.

The fourth challenge is *population awareness of their needs and the existence and availability of a corresponding product*. In fact this challenge is proliferating itself. Raising awareness that the product exists and is available nearby is the first subchallenge:

– some businesses try to use traditional means of communication/advertising through, for example, TV advertising, however such means are sometimes costly , or play a less significant role: Andersen and Markides for example, cite the very low penetration rates of the TV in the Philippines or in India (41% of rural populations in India have a television). Other means have been explored in a creative way; publicity in jeeps, taxis, communication in schools (one example being Smart in the Philippines); small street shows/micro-events (Unilever in India and Danone in Bangladesh);

– to assist populations in becoming aware of their needs.

It is not sufficient to make the product known. It is also necessary for populations to perceive that the product responds to a need. This is what Mr. Yunus touched on with the joint venture Grameen Vand Danone in Bangladesh). mple, cite the very low penet supposes that people have understood the importance of buying such water, even though at the same time they have access to free water, admittedly, which is full of arsenic, the danger of which they have not necessarily understood.

1.2.2.2. *Criticisms of the BOP approach*

If these works offer several specific recommendations for businesses and have had genuine effects both in the academic and business sphere, recently they have been criticized and for several reasons The most virulent criticism has come from Karnani, who accuses Prahalad of angelism and errors of judgment.

Karnani [KAR 07] and then Garrette and Karnani [GAR 10] denounce a *dual myth*:

– *The fortune myth*:

The models amount to genuine mannas, when this is not the case, businesses make far less profits than they imagine and instead they even make losses.

These authors recognize that there have been some success stories, that is to say projects that have succeeded in being profitable in responding to a recognized need of poor populations. They *cite* two particularly, and the first being the mobile telephone, where technological leaps have been made on the one hand and, on the other hand, infrastructure investments have been covered by the most well off in the particular society. This allows the lowest prices to be offered to the poorest in societies, thus providing for the possibility for millions of inhabitants in rural areas to access mobile telephones for private and professional use. They also touch on the example of Nirma in India which has developed a lower quality detergent than that of Hindustan Unilever Limited, but corresponding much more to the spending power of the poor.

Andersen and Markides [AND 07b] also cite the case of Smart Communications in the Philippines, whose market value more than tripled between 2003 and 2006 and Hindustan Unilever: its turnover grew by 11% in 2005 and 9% in 2006, and its profits increased by more than 30% during these two years.

However, Garrette and Karnani [GAR 10] highlight several BOP initiatives that they describe as failures: Essilor in India, Grameen Danone in Bangladesh and Procter and Gamble through its water purification product to provide a market response to the genuine needs of poor populations but they did not succeed in being profitable (Grameen Danone and Pur) or in being sufficiently profitable for significant business growth (Essilor). Even Stuart Hart, one of the trail blazers of the BOP theory, recognized (at the Es X, HEC and Essec conference in February 2011), that ten years after BOPs beginnings, the results are still inconclusive and that few businesses have really achieved their objectives.

– *The myth of social good*:

Also an illusion. Changing the poor into consumers only contributes marginally to reducing poverty. It is instead convenient to acknowledge them as producers.

Moreover, these approaches focus on the social dimension of sustainable development, neglecting the environmental dimension.

These authors set out their view of the reason for the limits of the "myth".

Garrette and Karnani [GAR 10] criticize the potential market confusion – which is often enormous when speaking of the fundamental unsatisfied needs of individuals in poor countries – and the existence of a market. There may be a need (for example in the case of drinking water), however if nobody wishes to buy drinking water even at very low prices, there is not – or at least not yet – a market for it.

We touched on it above in the context of *awareness*, and access to clean water: populations may have a need but this need is not necessarily recognized by consumers. It is then a question of helping populations become aware of this need and genuinely creating a market which, up to that point has not existed among these populations. For them, as for several authors, the difficulty with this type of approach lies in the necessity to create new markets.

Moreover, they criticize the major trap that a number of businesses fall into, the *adaptation trap*. Often by simply adapting products intended for developed countries' populations, they offer not only excessively high prices to populations whose purchasing power they overestimate but also products which are a higher quality than these people are prepared to buy.

The authors cite the case of Essilor in India, which developed a solution for selling glasses at low prices, by means of horse trailers, a form of traveling opticians which identify people's glasses needs and selling them products at highly reduced prices (of the order of \$4). Now Essilor struggles to break-even: from four horse trailers in 2005, the Indian subsidiary increased to eight horse trailers in 2010.

In the reasons cited by the authors, we find, above all, the *adaptation trap*; that is the sale of products which in fact are too expensive for poor people in rural areas. This price was assessed at 2% of annual incomes, a similar percentage to that of developed countries, when, in fact, one cannot compare annual incomes in developed countries and in poor and emerging countries: the share of essential expenditure allocated to food, clothing and fuel reaching 80% of their incomes.

One of the major limitations of a business such as Essilor, in its BOP attempt in India, was an unwillingness to question its quality standards coming from developed countries which were appropriate for its own populations but not for those of poor countries.

Now these populations would no doubt be satisfied with simpler products, of a lower quality but responding, for the most part, to their needs and financial means. For example, in the glasses field, one can imagine meeting needs without an eye examination, selling standard glasses for astigmatic, near-sighted or far-sighted patients. Likewise, Grameen Danone in Bangladesh sought to adapt a product intended, above all, for wealthy people: yoghurt, a product which is in fact much more costly for poor consumers as a result of the constraints of refrigeration and milk prices, hence the difficulties encountered.

1.2.2.3. *Toward new BOP ideas: BOP 2.0*

In view of all of the pitfalls encountered by multinationals through their initiatives at the base of the pyramid, and faced with different criticisms cited above, Stuart Hart is calling for a new stage: BOP 2.0. The main idea behind this proposition consists of not considering poor populations as simply consumers, but as genuine partners. This involves listening to their needs, without necessarily thinking that you know them better and working with them to find products which respond to their difficulties.

BOP 2.0 consequently implements genuine co-creation, described within the framework of a *BOP Protocol* and faced with different criticis and social players (NGOs).

These authors' vision rests upon a key principle: that of so-called "embeddedness" of the economy at local level: local embeddedness.

Inspired by the reflections of Hart and Simanis [SIM 09], and the various criticisms made about BOP, London [LON 07] suggests a definition for BOP initiatives: far from consisting of initiatives led by big business seeking to adapt/downgrade products sold in industrialized nations to sell them to poor countries in low volumes, it involves initiatives led by organizations located outside of a given community (foreign or national businesses, social enterprises, cooperatives and NGOs) using a joint creation approach with this community operating upon the boundary between the formal and informal sectors, financed by so-called "patient" investments. They can consider the BOP populations as consumers, or producers: in both cases they are partners.

Lastly, from Hart's viewpoint [HAR 04], the environmental dimension must be better assimilated into BOP projects, as a result of major environmental challenges which we are all facing. It should not be seen as a greater constraint, making these projects even more difficult, (when they are already difficult enough), but as a dimension to assimilate even within the economic model or even within the economic object of the activity. Thus the entire *cleantech* sector could form a vast potential market to create and expand at the base of the pyramid.

BOP 2.0, which entails listening much more to the needs of poor populations, in a *bottom up* co-construction approach, without doubt allows for better management of the social dimension and thus brings a part-response to Karnani's argument [KAR 07] on the lack of social impact within BOP projects: such an approach consists of starting from local needs rather than projecting northern hemisphere responses, and sometimes creating new needs; it ensures a greater respect for cultures and better social impact. Nevertheless, these projects take a lot of time as the SC Johnson and the Cambridge researchers' Kenya initiative showed. They spent three months cleaning latrines with micro-entrepreneurs from slums to secure local population acceptance. Furthermore, their strong embeddedness in the locality obviously poses the question of replication. Co-constructed solutions involving a population from a highly specific region, taken from a particular culture, do not necessarily correspond to other cultures.

Karnani's criticism relating to the lack of profitability of BOP approaches (and therefore their weak durability) does not come up with a clear response in that respect, in fact quite the contrary. The avenue of green technologies, advocated by Stuart Hart, as a result of the immense needs and technological progress linked, for example, to the sun, is without doubt the most promising route in this respect, although this remains to be proved.

We notice that more recently, one of the authors of BOP 2.0 questioned the approach to which he himself had contributed to designing: Simanis suggests returning to business basics, criticizing the approach overly social which, from his viewpoint, is partly responsible for frequent failure of the initiatives undertaken up to that point [SIM 12]. He adds that it is a matter of making the economic perspective of primary importance without claiming that we should be pursuing a social objective. The social impact will possibly come after a period of time once the BOP projects have been led with success and become profitable.

1.2.2.4. *BOP and first mover advantage*

Moreover, all of these models and lines of questioning raise the question of *first mover advantage*: let us assume that effectively BOP projects are not profitable in the short, or even first mover advantage medium term, poor populations *a priori*, represent no more than potential enormous markets for multinationals desirous of growing even more, all the more so as these populations could become tomorrow's middle classes.

Does looking to set up as soon as possible, in accepting a low profitability, even short- and medium-term losses, constitute a necessary stage, for future profitability, linked, in particular, to the purchasing power of populations? Is it an advantage or a disadvantage to be present before your market competitors? Is it better to wait until other competitors have created the market and discovered a number of difficulties? In particular:

– the lack of population awareness as to the usefulness of buying certain products (as with, for example clean water or glasses);

– the contribution to implementing infrastructures, distribution networks, laws and practices which favor foreign investors.

Alternatively is it indeed a mistake which lets competitors do the spadework before you then arrive too late?

This subject of the *first mover advantage*, discussed since the end of 90s, has been the topic of debates:

[ARN 98] quote a 1995 study on the application of *first mover advantage* in emerging countries (at the time the only one), which concludes: "The lack of favorable conditions for a rapid commercialization prevents initial capital injections from being profitable," thus advocating delaying entry into emerging countries.

For Arnold and Quelch [ARN 98], breaking into an emerging country early affords a number of advantages:

– creation of special relationships with governments locally;

– capturing a sometimes-latent market, informed by modern means of communication of the existence of certain products to which the country does not yet have access;

– more cost-effective marketing expenditure (aderts, often much less expensive, have more of an impact because of the low number of adverts generally);

– access to quality human resources management (well trained managers being rare in a number of countries);

– finally access a rich source of learning, indeed a source of reverse innovation, the authors cite the case of Kentucky Fried Chicken (KFC) which developed know-how in China for setting up very large restaurants, which from now on it can replicate in other countries, in particular in the developed world.

Everyone accepts it nowadays: the learning curve of multinationals from the developed world looking to set up among poor populations is very long, much longer than had been anticipated in the beginning. Will they succeed in the long term? Nobody knows yet. The potential innovation that BOP represents for multinationals, without doubt is more marked in the BOP approaches which are close to those advocated by Hart (with the BOP 2.0), and could in and of itself justify such approaches.

1.2.2.5. *BOP: the learning and innovation laboratory*

The publications in the field which relate to BOP in fact describe in abundance this laboratory notion, from the standpoint of, on the one hand, results achieved, and on the other hand levers permitting success in doing so.

1.2.2.5.1. Learning and innovation at the heart of BOP populations

In addition to the article by Arnold and Quelch mentioned above [ARN 98], and relating to KFC innovations from China, several authors develop learning and innovation from BOP initiatives.

1.2.2.5.1.1. Learning and new ways of thinking

Social business/BOP models demand that managers of multinationals of industrialized countries operate normal practices very differently. They lead them to question their routines, to reconsider mindsets and beliefs. Simanis gives some examples of this. Instead of building large factories, as they have been used to doing, multinationals from developed countries are learning to act differently: they start “small”, with fixed costs as low as possible, then experiment with a trial, error and adjustment approach, with pilot testing. Only when the model has proved itself, is the approach then rolled out using a means which is different to that normally used. Not necessarily in building a very large factory elsewhere but rolling out those which have proven to work in other communities through means of so-called “pollination” namely reproducing small units, and progressively expanding within a country or indeed a region.

These *social business*/BOP models also demand that managers listen to populations while displaying humility which is often a new learning approach for them as they are used to powerful organizations.

Finally they are invited to think out of the box, starting by observing poor populations, which can sometimes mean learning to devise other product uses, no longer promoting a single use but rather a range of uses. Simanis gives the example of Kickstart, an African manual water pump business. The executives from this business started by selling very simple products, that is pedal water pumps, and testing them in some communities so as to roll them out in others, and then developed slightly more sophisticated pumps, such as solar pumps and others. They also discovered that their pumps were used not only for irrigation but also for other uses, such as cleaning cars or watering plants in hospitals.

We see that this learning affects the individuals' memory maps and individual or collective beliefs. In fact, for businesses from developed countries, it is a matter of starting by unlearning previous ideas.

> "Whilst traditional beliefs in the development sphere consist in thinking that local partners must unlearn previous ideas, our study demonstrates the opposite: in complex operational environments, it is the business which must unlearn its ideas. This is what London and Hart have called *social embeddedness* or the capacity to create competitive advantage, in understanding completely and assimilating the local environment."

Moreover, beyond evolving from a number of mindsets using with BOP approaches, BOP itself sometimes becomes the purpose for changing perceptions. Perrot [PER 11] thus explains the evolution of the perceptions of BOP within Lafarge: it was likened to philanthropic approaches (themselves compared by a number of players to CSR), allowing them to obtain a license to operate in poor and emerging countries, thus being viewed as a constraint. After two experiments undertaken in Indonesia, BOP has become in the eyes of players, a genuine business opportunity.

It even forced the perception of the business role to evolve. In the case of Lafarge, managers understand better that business can play a social role (beyond job creation) through its core activity, and rather than through further sponsorship initiatives.

1.2.2.5.1.2. Product innovation/packaging/processes

To respond to social needs, businesses are led to develop new products and services, as well as new processes, sometimes far removed from their normal practices and often in a creative way. Kanter [KAN 99] in particular cites the case of two American businesses involved in social issues particular in the US:

1) IBM wishing to tackle problems in state schools in disadvantaged areas, developed new Internet-based technologies with important business applications.

2) Bankboston in creating the First Community Bank to allow poor people to become familiar with banking, developed products and services which since then which have been used throughout the whole of the banking sector: products intended for new customers, multilingual products, new forms of investments for small businesses in urban centres.

1.2.2.5.1.3. Innovative business models or breakthrough innovations

Beyond products and services, multinationals are inventing new *business model*s, indeed breakthrough models.

Developing countries constitute a unique territory for multinational breakthrough innovations, as the populations are both significant in volume and, as, at the base of the pyramid, the risks of canibalization of their traditional products are much more limited.

Moreover, the capacity of a business to lead on breakthroughs, in creating new markets is a factor of competitiveness, even survival. Likewise, the capacity of a country to favor such breakthroughs, encouraging in particular entrepreneurship is a key performance and economic vitality factor.

Japan is an interesting example of businesses who had the know-how, at a given moment, to invent breakthrough technologies, in particular by designing products accessible to the greatest number of people. Sony is the best example of a business, having on several occasions created breakthrough markets in the sphere of radios, televisions and Walkmans. Other Japanese businesses created a highly important market, but only on one occasion. Toyota, Honda and Canon....

It is definitely not a question of the BOP approach but it appears relevant to us to recall a number of businesses which have already reinvented themselves in looking to design products which are accessible to the greatest number of consumers. It is as if the phenomenon that we were studying was similar but without doubt situated at several levels lower in terms of the pyramid.

However, these businesses cited by Christensen [CHR 01] and his colleagues, were victims of their own success, of their highly efficient management: having started with comparatively user-friendly products, accessible to the greatest number of consumers, as Toyota did with its Corona, to face the competition and increase their margins, they gradually developed more and more sophisticated and expensive products, which no longer suited consumer needs. This is also the case with Xerox which designed highly sophisticated photocopiers and faced unexpected and highly ruthless competition at the time Canon launched more user-friendly products at the beginning of the 1980s.

Thanks, in particular to Silicon Valley and to a more global system which encouraged risk-taking and entrepreneurship, the United States had the know-how and invented constant breakthroughs while keeping unemployment rates fairly low, despite the reduction in staff numbers of large corporate groups.

Large companies generally have much less chance of continuing to lead on breakthroughs than start-ups. Most of the time, they are caught in a spiral of increased margins and product sophistication and fear that radical innovations will compete with existing products. Moreover, the products that they design are targeted at *mainstream* markets whereas, to start with, breakthrough innovations have both markets that are limited in size and reduced margins.

Several multinationals thus understood the opportunities offered by the base of the pyramid markets; one example being Hindustan Lever Ltd (HLL) already touched on above. This business had targeted the populations most in need of help in India until it faced competition from an Indian firm Nirma which organized highly dynamic activity producing and selling detergents to the poor. HLL then reacted by creating a new product at odds with its normal practices: a detergent which reduced the proportion of oil to water, allowing the limitation of pollution in rivers. The business very quickly decentralized this activity and started to sell its products in small stalls in impoverished areas, indeed even in disadvantaged rural areas, at highly reduced prices. Admittedly, margins were lower, but the volumes sold were such that it was one of the most significant growth areas within the group. This experience was used by Unilever to create a new detergent market in Brazil.

In some cases BOP can contribute to pushing the boundaries of business, making it go beyond a number of limits that it has set, in devising new lines of business. It is the case for Lafarge in Indonesia which went from being a basic supplier of concrete and cement to co-designing far less expensive houses working with architects and building materials traders to make dwellings accessible to the poor, thereby enlarging its customer base. Lafarge also constructed new economic models based upon micro-credit. The main players in the group realized that with Banda Aceh having fallen victim to the tsunami some months before, the problem for inhabitants was no longer building new houses (NGOs had taken this on) but extending them, and therefore, in order to do so, obtaining finance. They then decided to join with micro-finance institutions. From a B-to-B business in contact with middlemen – and not with end customers – the business developed a much closer relationship with consumers, tending toward the B-to-C models. Schneider Electric also experienced this in South Africa, developing an activity selling electricity prepayment cards to those in the slums.

Among *business model*s innovations we find hybrid models, associating with categories of organizations which are both highly diverse and complementary: big business, authorities, NGOs and social entrepreneurs. As we touched on above, it is becoming clearer, that the fight against poverty is in the hands of multi-player alliances: states or international big business contribute, for example, to infrastructure and education expenses, with local entrepreneurs and big business demonstrating, for their part, autonomous economic management models.

1.2.2.5.2. Levers and key success factors for learning and innovation

There are several principal levers for this learning and innovation, frequently cited, which in fact constitute conditions for success or key success factors in the view of specialist authors.

1.2.2.5.2.1. Immersion in and increased listening to needs

The first lever for learning is frequently described by Stuart Hart in his various works. He touched on (in BOP 2.0) the need for managers to start absorbing reality, listening empathetically, and to think outside of the box.

One of the most powerful means is immersion: for example therefore when HLL managers were asked to spend six weeks in impoverished rural areas to better understand the practices and hygiene needs of poor people. Another example is Tatiana Thieme spending three months cleaning the latrines with young entrepreneurs in the Nairobi slums as part of the pilot project led with the BOP laboratory of Cornell University and SC Johnson. Before becoming aware of eventual partners, this vertical approach of immersion is a necessary step, which favors empathetic listening, allowing for the avoidance of forecasts and the temptation to reproduce development models which are not properly adapted to these realities.

1.2.2.5.2.2. New partnerships

Of course, another lever for learning and innovation involves a horizontal approach, in partnerships with various stakeholders: local or national public stakeholders, civil society stakeholders, and with, in particular, NGOs. Some authors mention Public Private Partnerships, like Kanter [KAN 99], who describes the partnerships entered into by IBM and BankBoston with a number of city halls. NGO-business partnerships or *cross sector alliances*, are the subject of a multitude of publications. Henceforth, NGOs are considered, in the framework of those markets characterized by poverty, as a relatively essential vehicle.

We touched on above the numerous pitfalls of BOP projects; a lack of infrastructure, legal framework, political instability, corruption and the colonial image of multinationals.

Faced with these pitfalls, access to resources therefore constitutes a veritable crux, an essential competitiveness vector. Yet, it appears that henceforth this access to resources is better suited to the role that multinationals play, not only in the economic development but also the social development of these countries. Civil society and governments are more demanding in relation to multinationals. The term *social licence to operate* is used, which increases the level of requirement and expectation concerning these firms.

NGOs have consequently become increasingly essential players in the multinational strategy of these countries.

These NGOs are defined by Teegen, Doh and Vachani [TEE 04] as *private not for profit organizations* which seek to serve social ends concentrating upon social, political and economic objectives, including amongst others, notions of equality, education, health, environmental protection and human rights." A United Nations Report in 2003 valued the sector with a turnover of more than a trillion US dollars, which would make it the eighth most powerful global economic power.

Consequently BOP innovations are considered as genuine co-creations between partners. Indeed, NGOs are an inherent part of the local fabric: they are inter-woven in local networks, and in particular connected with local organizations, all being, in turn, connected to broader international networks. They play the role of intermediaries for multinationals and contribute towards filling the frequent institutional void in these countries.

These partnerships contribute numerous benefits for multinationals providing:

– knowledge of and access to local networks, to informal institutions and more holistically access to resources;

– knowledge of the local population needs;

– a form of legitimacy;

– multiple stakeholder dialog skills;

– an element of *supply chain* compression, by reducing the number of intermediaries;

– optimization of the entrepreneurial process: identification and exploitation of opportunities and implementation thereof;

– development of *absorptive capacities*; these are increased through alliances which constitute a pre-condition for success at the outset;

– development of learning capacity (in particular double loop learning) and innovation: Confronted with very different rationales, business players return to their beliefs and mindsets, and consequently learn to think “outside of the box”;

– gaining an understanding of the choice of NGO partnerships, and in the pre-conditions for success for such partnerships;

– a reduction in transaction costs; we cite as an example HP in India: the alliance with local NGOs in the state of Andhra Pradesh allowed the group to access local networks to test its products, increase its marketing knowledge at a lower transaction cost than if the business had had to do everything on its own.

It therefore appears that alliances with NGOs constitute an almost indispensable foundation, or at least a major lever for all approaches within the BOP category and for all learning and innovation.

Some authors even suggest that we should, as a priority, be concerned with stakeholders who are considered as being *fringe stakeholders*, those who are not the most visible and the most immediate: several cases have shown that they may, in fact, become more formidable than we had thought. Thus Monsanto saw thousands of small Indian farmers rise up against its practices. Shell, in its decision to sink the Brent Spar platform, was faced with Greenpeace. It had not anticipated talks with this NGO.

However, beyond risk management, it is question for businesses of further increasing their capacity for creativity: *fringe stakeholders* ringe stakeholdersk management, it is question for businesses of further increasing their capacity for creativity: more formidable than we had thoughndian village, to explain the possibilities of information technologies in poor rural areas.

In this way, as well as for downstream *knowledge* transfer from a subsidiary or an expatriate staff member to the parent company, *absorptive capacities* are an important determining factor for learning and therefore optimization of these alliances. However Murphy, Perrot and Rivera-Santos [MUR 11] provide some nuances the concept has been developed by Cohen and Levinthal, then Todoroa and Durisin, and mainly applied to *business to business* alliances. These nuances arise due the characteristics of business-NGO alliances: in *cross sector alliances*, unlike traditional *business to business* alliances, partners (businesses and NGOs) have very different principles and modes of operation and the purpose of these partnerships includes a strong social component.

Murphy, Perrot, and Rivera-Santos [MUR 11] suggest a new theoretical framework, that of *relational capacity for social innovation*, which both takes up again and refines the determining and constitutive factors of absorption capacities:

– the capacity to recognize the value of external information, a capacity all the more necessary in the case of inter-sector alliances, to build strong relationships between partners;

– the capacity to acquire, assimilate and convert external knowledge, a capacity which assumes undertaking co-creation approaches with partners;

– the capacity to exploit/utilize this knowledge; which is trialed through pilot experiments.

These authors identify three additional contingency factors:

– the extent of the social dimension both in the business identity and in the mission to which it is devoted. This identity in its turn potentially impacts upon the projects undertaken, especially when they are successful. These authors give the example of Danone and its "dual economic and social project," which makes up a major component of its identity, and cite the BOP experiments already undertaken by Danone: *Milkuat* in Indonesia, for example, made yogurts supplemented in Morocco, biscuits supplemented with calcium en Chine, and *Milky Start* in Poland. Among the triggers of these BOP approaches, we find the sale of Lu, the reputation crisis which resulted from it and the need to restore the social image of the group;

– the mechanisms for social integration: in new BOP models, the implementation of internal dissemination processes becomes even more necessary. We list here the process standardization which favors integration and dissemination of *knowledge*, such as for example for Danone; the Grameen Danone visits (opening the factory to many of the public), websites, creating a (*Social Innovation Committee*, frequently known as SIC), the presence of the *board* oardquently known as SIC), the presence of the none visits (openiation of a BOP department;

– major stakeholders: two international key figures are associated with this (M. Yunus and F. Riboud).

The pivotal role of the firm's identity and its mission were thus highlighted. Learning depends upon this to a large extent. If the social dimension is highly present within identity and mission and assimilated into business strategy, and if social engagement therefore comes from within the business, there is a greater chance of alliances being pro-active, focused on exploration and risk-taking, taking a genuine learning approach. Conversely, when businesses change as regards social responsibility, essentially through external constraints, and have, above all, a reactive risk management approach, alliances are then more directed toward exploitation, leaving less scope for learning: businesses endeavor to use more and implement their partner's knowledge than to return to a genuine learning approach.

As several writers have emphasized, multinationals can also bring a lot to NGOs.

– access to capital;

– efficiency, professionalism and organizational performance; various skills as, for example, with marketing;

– economies of scale and links with international markets;

– increased weight with governments in the relevant region (which can also incite jealousies and be a double-edged sword: see with Grameen view).

Partnerships between multinationals and social entrepreneurs potentially constitute in short a major source of wealth for both parties: social enterprises which have already designed a business model with a track record which allows big businesses to avoid starting from nothing. Conversely, powerful financial and marketing resources in multinationals assist social entrepreneurs to become established and operate.

However, several authors highlight the limits of these NGOs or social enterprise partnerships. Some speak of over embeddedness: sometimes being so involved with partners, the business loses the necessary hindsight and critical mind, lacking key information from outside of the network. This may be partners whose practices are not the most relevant to their business or who are indeed also not the most interested in their field. Faced with this risk, it is a matter of continuously reminding partners of the necessity of building a long term partnership and that a short term attitude might end the relationship. Moreover to avoid missing key information outside of the network, it is important to cultivate an openness and a willingness to listen and continuously learn.

1.2.2.5.2.3. Confrontation with extreme constraints

Another major lever for learning and innovation is inherent in BOP approaches: giving people who often earn no more than two dollars per day access to goods and services is often a seemingly impossible task for multinationals used to serving much more well off populations. The field of constraints is thus very large, and it is these acute constraints which force them to think outside of the box and devise breakthrough innovations.

Moreover, Anderson, Markides and Krupp have studied learning experienced by multinationals in extreme contexts, consequently involving particularly severe areas of constraint:

– slums or urban zones characterized by inadequate access to water and electricity, poor quality housing conditions, overpopulation and insecurity; at the end of 2010 *UN-Habitat* stated that 1.1 billion people (1 inhabitant in 7) were living in slums;

– isolated rural areas, characterized by a lack of basic infrastructure (surfaced roads and access to water and energy) and as a result a difficult environment in which to trade;

– conflict zones: zones of civil war or border wars, uprising, lawless zones; risks of assault, kidnapping, and vandalism are particularly rife.

Common features of these zones are as follows:

– lack of legal framework and difficulty for firms to establish legal contracts;

– absence of key infrastructure;

– lack of skilled individuals.

Linked to these constraints, multinationals are confronted with a large number of challenges:

– it is vitally important that they build relationships of trust with communities, beyond partnerships set up with local partners in traditional BOP markets. Sometimes becoming allies with "non-traditional" partners, such as heads of religion and spiritual sages. For success they must not be perceived as "do-good foreigners" but as part of the community (*the s vitally important*) and as contributing to the public good (in investing for example in schools, in sports activities, and in supporting local entrepreneurs);

– they are forced to go beyond the concept of *innovative business models*: everything hinges upon their implementation in often complex and dangerous contexts.

The authors give the example of Celtel, the mobile telephone group in Nigeria (having 28% of the country's market share), which in 2007 directed its efforts toward rural areas (knowing that 50% of the population lived there). These areas, characterized by an absence of sufficient communications or electricity networks, are difficult to access during rainy periods and have vandalism or theft problems.

It is necessary:

– to negotiate with tribal chiefs as well as the local authorities;

– to then identify and recruit local micro-entrepreneurs who agree to become franchisees, as did Celtel with the a network of 900 franchises developed in rural areas of Nigeria.

The authors give the example of Airtel, the largest Indian mobile telephone operator which, in 2005, set up in the very poor areas of Bihar and Jharkhand. The business implemented dedicated marketing and distribution teams and had the know-how to communicate the role of the business as regards team development. Lastly the case of Vodafone in Bombay was studied. The business was wanting to install costly technical transmission equipment (*mobile transmitters*) in slums and was afraid of vandalism. It had to create small storekeeper networks, who each became distributors and installed a small transmitter above their shop. Airtel says, "Our retailer from the slums suddenly became the most respected man in the community."

1.2.2.5.2.4. Implementation of specific organization and internal adapted management methods

Researchers who value the role of the BOP laboratory emphasize the necessity of retaining these models in specific structures, different to structures intended for traditional markets. They should be decentralized as much as possible, which assumes the creation of local units called *local growth teams* with a *zero based organizational design*, which expand their part of the business from zero with local teams and P&L management of their own R&D teams and appropriate performance indicators. intended for traditional markets. It can allow a consumer centric approach based on intimacy, and a better fit to people's needs.

However, there must be strong links with the rest of the organization to allow mutual enrichment such as the transfer of knowledge. Indeed, some activities must be separate (for example marketing and distribution) and some activities must remain with the parent unit: HR, IT Finance and other support services. Moreover, the specific entity must depend on a manager who is recognized and well positioned within the hierarchy to benefit from the necessary support in case of major difficulty and to benefit from support entities, for example R&D and legal services. A link from this manager to a group top manager is after all desirable, one who can secure their access to resources and is capable of spotting potential opportunities for replicating projects in other countries.

Moreover it is necessary to mobilize employees for projects led in complex and often at-risk areas. Conquering skepticism and fear is, in particular, made possible by the following levers:

1) Identifying *quick wins* allows the feasibility and practicability of projects to be demonstrated;

2) Demonstrating opportunities and the risks of not taking them (leaving opportunities for competitors);

3) Developing the career paths of those who have entered these market areas, offering greater opportunities for those with the risk-taking know-how;

4) Highlighting the social role that business might play in development terms (see the example of Airtel below);

5) Finding the "right people" who fit the business profile having experience of several roles.

F. Perrot, in the case of Lafarge, shows the need to adapt management methods to the reality of areas explored. In some cases, it is a matter of creating new markets, and for that, in Perrot's opinion [PER 11], the local subsidiary must not assume inevitable losses during the initial period: a central R&D/BOP entity at Lafarge must be responsible for the budget of these pilots. In other cases it is not a matter of creating a new market, but capturing an existing market: thus Perrrot says [PER 11], it is the local subsidiary who should be responsible for the profit and loss account.

1.2.2.6. *BOP: Toward an essential return to business reactions*

At this point, we take up the affirmation of Simanis [SIM 11] touched on above and transform it into a question: in order to succeed with BOP initiatives, is it necessary to approach them as traditional businesses, without looking to follow a social objective, the impact of which happens subsequently? We will come back to this question in our discussion.

1.2.2.7. *BOP: a lever for reverse innovation*

The success of BOP assumes unlearning, learning and innovation. However, to what extent is learning and innovation implemented and replicated within other more well-off social classes and/or other developed countries?

Here we suggest broadening of the definition of *reverse innovation* cited by Govindarajan [GOV 11] in the introduction: *Reverse Innovation* may be experienced not only from emerging countries toward rich countries as Govindarajan and Timmelt specify, but also within the same country. This includes innovations marketed to the poor being aimed at higher-income populations.

Consequently we suggest a new definition of reverse innovation, slightly different from Govindarajan's definition: we define reverse innovation as an innovation developed for the populations at the base of the pyramid, and replicated and adapted to populations located higher up in the same pyramid, whether in emerging countries or developed countries.

In fact, the examples of innovation which are cited above (section 1.2.2.5.1) are often examples of *reverse innovation*: hence the examples cited by Arnold and

Quelch [ARN 98] with Kentucky Fried Chicken in China, Kanter with BankBoston and IBM, Christensen *et al.* [CHR 01] with HLL in India and Simanis with Kickstart in Africa. Each time, however, this concept of *reverse innovation* is touched upon without being explained. Actually the article by Govindarajan and Immelt [IMM 09] gives this idea a name and specifies its form, and situates it within the different stages of globalization, as its new stage.

These authors recall the issues that Christensen *et al.* [CHR 01] have already studied, namely the increase in competitors from emerging countries, who do not have the same standards of quality as multinationals in developed countries: they offer products which present a quality-price relationship more adapted to the budget, customs and needs of these populations. Nirma which is a competitor of HLL in India is a good example. Brown and Hagel specify the characteristics of some *emerging Asiatic giants* which are innovative and active in the BOP markets:

– they target *low-income consumers* from their country of origin and genuinely listen to the needs of different population categories (using a community-based approach);

– through *incremental innovations,* they have ended up configuring breakthrough *business models*;

– they build networks of local suppliers, with whom they co-design innovative solutions (through using different *supply chain* practices);

– they base their *production* upon extensive *modularity,* often using a dual approach: of standardized core components allowing economies of scale; and modular parts, to answer the specific needs of different categories of people;

– they create affordable and definitely simpler but solid products (avoiding, for example, after-sales services which people cannot afford, and whose low margins mean businesses can no longer afford either).

In the sphere of telecommunications for example, China and India, thanks to countless new customers, became the largest world mobile telephone markets. An entrepreneur from Infosys, an Indian telecoms company, says that the equipment costs for mobile telephone networks, must be five times less than usual world market costs to succeed in the Indian markets.

In the field of motorcycles, the town of Chongqing in China is a model for *localized modulation*, based on a high performance system consisting of a series of *process networks*, which mobilizes highly specialized businesses, at different levels of the value chain. The assemblers merely define the broad outlines of units (size and weight) and instead of designing them themselves, leave the suppliers to carry out the design process. Such approaches involve decentralized co-creation with local suppliers based upon modular systems more than traditional *top-down* approaches.

Due to this method of operation, Chinese businesses now manufacture 50% of global motorcycle production.

In Vietnam, Honda's market share has gone from 90% in 1997 to 30% in 2002, Chinese businesses having become market leaders.

In the sphere of production of diesel engines and energy generators (the *horsepower* market), Brown and Hagel [BRO 05] also give the example of Cummins in India: in 2002, the group was the market leader for *high horsepower generators* in India. It decided to invest in the *low horsepower market*, which responded to the needs of small retailers, regional hospitals and farmers. However, the needs of hospitals and farmers were different, hospitals needing quieter machinery, and farmers needing machinery which would be protected against mud and dirt. Cummins therefore designed machinery with a uniform base and modular systems for hospitals and farmers, with a solid and reliable low price product, allowing customers to avoid after-sales costs. The company gained 40% of the market share in India in three years, and started to export to Africa, South America and the Middle east. Such machinery could have a devastating effect, if it was sold in developed countries, where the margin of manufacturers very much rests these days on providing after-sales service.

Such competitors are formidable and constitute powerful threats for multinationals of developed countries: being either obstacles that prevent them from breaking into emerging countries; or market threats in the long run in developed countries. Thus the President of General Electric claims that he is much more threatened by these giants than by his traditional competitors such as Siemens, with whose ways of working he is acquainted.

In particular at the organizational level, the key success factors of this *reverse innovation* are in fact identical to those touched on above in section 1.2.2.5.2.4.

1.2.2.8. *BOP: Is it a Global Transformational Business Lever?*

BOP is effectively often cited as a laboratory for innovation (whether this is reverse innovation or not). However, between product, process and business model innovation, and the transformation of the whole organizsation, there is an important margin, even a gulf. Only a few authors touch on this theme of transformation, without studying it in depth. Kanter [KAN 99] cites the case of BankBoston which beyond innovations already cited, re-centered its retail detailed strategy on community banking . Hart and Sharma [HAR 04] stress the need to question the prevailing business logic often necessary for the success of BOP projects. Simanis and Hart [SIM 09] speak of "transformational engagement" with stakeholders, and the equally transformational nature of innovative business models, embedded in local reality. Lastly in the title of Govindarajan and Immelt's "Reverse innovation: how GE is disrupting itself" [IMM 09], the close link between reverse innovation and strategic renewal is highlighted. However, this link is more supported by the title than by the article itself which talks more about product innovation than strategic renewal.

For his part, Perrot in 2012, analyzed the process of the appearance and increasing power of the BOP strategy, not as trivial but genuinely assimilated into the business's overall strategy. Even if it is not in fact a process of overall organizational transformation, nevertheless we notice here that a BOP strategy is being created, which is both novel for the group and whose methods are of interest to us. Perrot thus distinguishes several stages (describing the strategy in the context of Lafarge):

– the first stage is characterized by local attempts at BOP methods, led by subsidiaries in South Africa, China and India but without the support of head office;

– the second stage is marked by the development of the head office for which three phases are evident:

- the first consists of an approach whereby Lafarge leaders become sensitive to BOP issues, led by Perrot himself and supported by one of these leaders, as well as meetings, notably with one of the leaders of Danone engaged in these approaches,

- the second involves two pilots carried in Indonesia, and the promising prospects that they offer,

- the third phase involves preparing a roll-out strategy; which goes through a number of strategic decisions: appointment of a dedicated affordable housing team in 2010, linked to the Vice President for Strategy and Development; elaboration of a roll-out strategy for the Banda Aceh initiative in Indonesia, and the creation of a fund allowing the financing of micro-finance organizations to support BOP projects. The group decides to launch a growth program using "unfamiliar approaches", for which BOP is a part.

Perrot then analyzes managerial control systems put in place by Lafarge, as development levers for this new strategy. He goes back to Simons's grid [SIM 94], already mentioned in the section on CSR:

– belief systems: the mission is redefined, a statement of values is the tangible element of these, in the case of Lafarge, the intangible element consists of this new representation of BOP as a growth opportunity, instead of a constraint;

– boundary systems: looking at Lafarge, Perrot analyzes the possibilities for pushing the boundaries, allowing the business to explore new industries (co-designing houses and micro-credit);

– diagnostic control systems: Perrot analyzes the adaptation of control systems to local realties;

– interactive control systems: he observes processes and decisions that will allow managers to influence the new sets of strategies).

Perrot's article is one of the most accurate ones detailing the process of the emergence of a new BOP strategy.

It is this transformational angle, touched on by publications in the field but without in-depth analysis, which arouses our curiosity and appears to us as a subject to explore empirically. Indeed, it seems to us to respond to two important issues, likely to provide responses to our line of questioning upon the reinvention of economic models, with a view to solving the social equation cited in the introduction.

We have thus studied the publications in the field relating to BOP. These field publications appeared over a decade ago, as a quasi-miraculous response to the issue of poverty and the challenge of growth of multinationals which has already been the subject of numerous debates and been called into question several times. As touched on above, some even suggest using the term BOP to simply mean emerging markets [SIM 12]. They also suggest forgetting social impact research and to focus more solely upon the business approach, with social effects then only occurring as a consequence of this. These authors say that assimilation of the social dimension in project purposes is, for its part, doomed to failure.

We nevertheless choose to continue to use this terminology, with Prahalad and Hart's dual economic and social meaning [PRA 02], as from our viewpoint it best represents the categories cited: those at the bottom of the pyramid which can be present as much in emerging countries as in developed countries.

We propose studying, in the part which follows, the publications with which place greater focus on the social dimension, that of social business.

1.2.3. *The set of themes within social business*

Closely linked to the set of BOP themes, especially when it is designed as a dual economic and social approach, we find the concept of social business: since 2008, the latter has been defined as a business which unlike the traditional business models does not aim for profit maximization but social impact maximization. This essentially mainly focuses upon reduction of poverty and the response to the fundamental needs of individuals, in particular the destitute.

Let us turn to Yunus's definition, which we are using as our own [YUN 10]:

> "*A social business is a particular type of business, whose objective is to resolve social problems, in particular those related to poverty once and for all, using business methods, including the sale of products and services and whose objective is also to provide responses to many other humanitarian problems: hunger, homelessness, illness, pollution and ignorance*."

In fact, social business is not solely concerned with problems of poverty (even if it cultivates a particular interest in this field). Its role may also, for example involve a service activity for those living alone (not necessarily disadvantaged but suffering from solitude). This could also include educational support.

Yunus distinguishes two sorts of SB:

– social business type 1: this involves a "no-loss no-dividend" business, whose intention is to resolve a social problem. The business is the owned by the investors who reinvest all of the profits. The latter are able to recover their initial investment without any capital gain";

– social business type 2: this involves a "for-profit business, but owned by the poor, who are dedicated to a social cause. As the profits go back to the poor, it then automatically helps a social cause".

Social business, as Mr Yunus defines it, is essentially financed by philanthropy and does not therefore produce dividends.

The latter point notes that many rich people give highly sizable sums within a philanthropic context (a practice adopted by Bill Gates). Mr Gates ultimately operates on the sidelines of the business and the money is given and spent in its entirety once and for all.

Social business intuition involves wanting to use this money in the most relevant way by investing in profitable and therefore sustainable social businesses and therefore continuous, and through the reinvestment of profits allows for autonomous growth. Yunus advocates a global development of social business both in parallel to, and on the sidelines of, the market and the capitalist system.

In fact, the social business concept is very close to that of social entrepreneurship even though one should not confuse them. In fact social business is a form of social entrepreneurship amongst other possible forms.

There are numerous definitions of social entrepreneurship.

They nearly all have the following characteristics: priority is given to the social mission and the economic aspect of the business operations. We can go back to Seelos and Mair's definition [SEE 07]:

> "*The term social entrepreneurship is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy. Social entrepreneurship combines the resourcefulness of traditional entrepreneurship with a mission to change society.*
>
> *The term social entrepreneurship is used to designate the growing number of organizations who have created models seeking to respond to basic human needs, which existing markets and institutions have failed to meet. Social entrepreneurship combines traditional entrepreneurial resources and the mission of improving society.*"

Social entrepreneurship may take different forms as to profit. It may be non-profit business operations or for-profit business operations, but pursuing a strong social purpose or finally a no loss, no dividends business operation, that is aiming for break even status but not yielding dividends. This last category in fact fits Yunus's definition of social business. Moreover, a social enterprise can depend in part upon subsidies; although whereas a social business per Yunus's defintion does not depend upon subsidies.

Social business is often confused with the various BOP models. Prahalad and Hart [PRA 02] confirm that the forerunners or inventors of the BOP concept indeed always emphasized the social aspect of BOP projects, and they did not disassociate this latter from the pursuit of profit. They have always felt that is possible to generate profits whilst contributing to the development of poor populations. In fact as Karnani emphasized [KAR 07], the pursuit of profit is generally prevalent amongst multinational businesses.

Social business integrates a specific aspect, which is new in relation to BOP: that of free unmotivated giving .

It is based upon the folllowing concept that Yunus often champions: that of *homo economicus* admittedly as a creature used to selfish tendencies but also capable of giving without financial motivation and of empathy. He rises up against this one-dimensional view of the individual, which he feels underpins current capitalism. He believes that man is multi-dimensional, and has relationship, artistic, and spiritual dimensions, and that this free unmotivated giving, this gift dimension, can also be lived out in business.

Yunus [YUN 10a] thinks that current capitalism is driven by a false perspective which can be thus formulated: the sole mission of individuals working within businesses is to maximize profit as if they were moneymaking robots.

Two main major criticisms have been formulated with this approach:

– the refusal of dividends, which does not allow for capital remuneration and considerably limits access to investor capital;

– Yunus's binary concept with the coexistence of two systems, that of social business and that of the market, without any necessary move away from the mainstream approach.

We notice that the first criticism (linked to the refusal of dividends) only relates to type 1 social business defined above: social businesses owned by the "non-poor". However this criticism cannot only be applied to type 2 social business, Yunus having added this new category in his last book.

As well as BOP projects, social business projects are frequently identified as breakthrough learning levers.

1.2.4. *Conclusion of the review of publications on CSR/BOP/social business*

The study of CSR Publications has allowed us to better understand the role of business in relation to society, as well as the issues for business when taking account of environmental and social dimensions. Let us recall that faced with the transformations in progress, and the numerous challenges in our society, we posed the question of the business role in the shaping of this new era described in the introduction. The publications include a number of unresolved debates. Although they have the merit of having made perspectives and practices relative to the role of business in society evolve, they do have significant limits. They explore, relatively little, the issue of "how": how can a business develop its practices to reduce its negative environmental and social impacts? What processes and key success factors should a business use?

CSR publications to date have only covered business transformation to a limited extent. They are more focused on an incremental view of business change. They do not account for society's challenges such as climate change, resource depletion and increased social inequality. Moreover, they are only concerned to a limited degree with business transformation, being more focused on an incremental view of changes and less upon the urgency of today's societal challenges such as climate change, resource depletion and the increase in social inequalitesand the extent of the changes necessary by the new context of growing scarcity in which our society is evolving. This limited perspective gives rise to a more innovative one, based upon a radical paradigm shift, which is that of CSR 2.0, which a number of researchers are advocating and which holds our attentioninterests us. However, this approach is in its infancy and needs to be the subject of further empirical research.

The concepts of BOP and SB in which we are interested are at the heart of the major debates of this theoretical movement into which they fall. They raise, in particular the question of the purpose of business, the convergence of the pursuit of profit and social impact.

They open up concrete perspectives on CSR 2.0 and thus offer empirical territory for further analysis:

– the characteristics and methods to implement these innovative models;

– the reality of their impact on innovation, even the overall business change.

The study of the publications highlighted the specifics of the SBOP initiatives and the numerous challenges that they bring for multinationals in developed countries: frequent pitfalls such as the adaptation trap and/or the inability to replicate pilot experiments area are plentifully emphasized.

However, even if there are very few success stories, the authors on the whole tend to show that the risk is maybe higher – at least in the case of multinationals for whom emerging countries constitute challenges – of not trying to set up there, than of taking the plunge, even if it means facing potential failure:

– for *first mover advantage* reasons: no doubt it is in the interest of businesses to be present in countries before their competitors. Reaching populations at the bottom of the pyramid now increases their chance of being there as consumers' purchasing power develops over time;

– owing to the learning curve being long, it is better not to delay making a start on the project;

– owing to the growing threat of competitors from emerging countries;

– given the laboratory nature of innovation, indeed of any reverse innovation within these projects;

– owing to their potential reinvention lever/more general business-wide change.

The SBOP models are obviously not the only lever for possible change. However they thus appear to be a relevant lever for businesses, in particular for businesses for expanding the target towards the base of the pyramid as this becomes necessary.

The theme of change, which favors these initiatives has admittedly been touched upon by several authors but without in-depth analysis and lacking a detailed empirical basis.

The social dimension of these approaches, more or less marked, whether it is a question of SB or BOP, seems relevant to us it and affects indeed more than a minority of businesses, owing to the pressures which they face nowadays: pressures from civil society, consumers and employees.

We have chosen to assimilate it in our approach, as a result of deciding to complete our research in the field of CSR. The extent or otherwise of the role that it this social dimension plays in business change transformation will be looked at during our empirical study our research topic.

It only remains for us to now go further with our analysis of this concept of transformation, which has been insufficiently treated by the CSR and SBOP publications and is at the heart of our line of questioning.