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# Inclusive business and poverty: prospects in the Brazilian context

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## RESUMO

### Negócios inclusivos e pobreza: perspectivas no contexto brasileiro

Negócios Inclusivos é um termo adotado para explicar as organizações que visam solucionar problemas sociais com eficiência e sustentabilidade financeira. Pode-se dizer que Negócios Inclusivos são aqueles voltados à geração de oportunidades de emprego e renda para grupos com baixa mobilidade no mercado de trabalho, dentro dos padrões do chamado “trabalho decente” e de forma auto-sustentável, estabelecendo relações com organizações empresariais privadas tradicionais na condição de fornecedores ou distribuidores de seus produtos ou serviços. No presente artigo, procura-se discutir as diferentes concepções que aparecem na literatura científica sobre Negócios Inclusivos, bem como analisam-se dados provenientes de pesquisa realizada com públicos participantes de seminários sobre Responsabilidade Social Empresarial promovidos pela Federação das Indústrias do Estado de Minas Gerais (FIEMG). Essa análise revela que perspectivas, riscos e idealizações semelhantes às presentes na teorização sobre Negócios Inclusivos também podem ser encontrados entre indivíduos envolvidos na gestão de projetos de responsabilidade social empresarial, mesmo que para eles essa denominação seja uma novidade. A ligação entre empresas e pobreza, sobretudo pelos caminhos dos Negócios Inclusivos, parece cheia de tropeços e armadilhas no contexto brasileiro.

**Palavras-chave:** negócios inclusivos, mercados inclusivos, empresa social, pobreza.

## 1. INTRODUCTION

Among a new generation of strategies for corporate social responsibility (CSR), two views or ideas have emerged lately: the so-called inclusive businesses and the base of the pyramid (BoP) strategies. Although many consider

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that inclusive businesses and BOP overlap or are the same, one should differentiate between them, because the risks and possibilities of advances in the social struggle to combat poverty might differ for each of these viewpoints, or the respective barriers to one of them might prove to be stronger than the possibilities of actually eradicating extreme poverty.

Inclusive business is an unusual expression in the daily life of Brazilian companies and even in the discourse of Non-Governmental Organizations (NGOs), except perhaps among those focused on bringing disabled people (PWD) into the work environment. However, the inclusion that inclusive business pursues is not restricted to PWDs. In academic discussions, the topic is also new and there are few publications about it. Most are produced by NGOs and international agencies with regulatory content sources or practical guidance. However, they tend to reflect many errors in terms of their analytical and critical consistency.

In short, one can say that inclusive businesses are those aimed at generating employment opportunities and income for groups with low or no job market mobility (in keeping with the standards of so-called “decent jobs” that are self-sustaining, i.e., that generate profit for the enterprises), also establishing a relationship between them and typical business organizations, either as suppliers of goods and services or in the distribution of production by companies or traditional businesses.

This group includes women and men over 40 years of age, poor and with little formal education, local communities with strong ethnic ties and poor education (indigenous, descending from escaped slave villages, etc.), young people without work experience living in areas with high social vulnerability, PWD, and other similar groups. In short, the large majority of poor people at social and environmental risk in developing countries.

The approach that resorts to solidary popular economy approaches is evident in the proposal of inclusive businesses. However, it differs from the said approaches in that it is not limited only to cooperative or self-managed enterprises. In other words, one can say that inclusive businesses include popular solidary economy initiatives, but the opposite may not be true. In fact, any company that turns to this public and inserts it in its work environment or in the organizations with which it maintains relationships in its supply and distribution chain would be promoting inclusive business, provided the “decent job” conditions apply.

However, if there are different theoretical approaches to inclusive businesses that argue against the imagery of solving poverty related problems by incorporating the poor into markets, one can also infer from the analysis of practices and experiences in the literature of international organizations and development agencies that dilemmas, risks and traps arise around these practices.

In view of these findings, this article discusses the different concepts found in the scientific literature on inclusive businesses, highlighting emphases and approaches that help to

explain this phenomenon. It also analyzes data from a survey with the people who attended regional seminars on corporate social responsibility, held by *Federação das Indústrias do Estado de Minas Gerais* (FIEMG), an entity that brings together large, medium and small industrial firms from the state of Minas Gerais in Brazil. This analysis reveals that outlooks, risks and idealizations similar to those found in inclusive business theories can also be found among the individuals involved with the corporate social responsibility operations, even if this name is new to them. The connection between companies, the market and poverty, especially through inclusive businesses, appears to be full of stumbling blocks and traps, either in theory or in practice, in the Brazilian context. The topics provided below provide this statement with more body and complexity.

## 2. INCLUSIVE BUSINESS: THE GENEALOGY OF A POLYSEMOUS CONCEPT

Alternatives to combat the high social deficit have often come up in developing countries. Thus, one can observe, since the late 1990s, a large growth of philanthropy among private-sector companies, as well as a surge in the activities of civil society organizations. Twenty years ago, one could observe two “worlds,” that of business and that of civil society, which were far removed from each other and that resisted working together.

After the first ten years of the twenty-first century, this has changed dramatically. No matter what reasons led to the preceding approach of private-sector companies and non-profit organizations, the fact is that today, a dialog is not only possible, but also seen as essential in order to achieve a win-win relationship.

Besides the phenomenon of cross-sector alliances, one can also observe the emergence of a new type of organization that combines two goals previously seen as incompatible: financial sustainability and social value generation. **Social enterprises**, **Inclusive Businesses** and **Social businesses** are some of the terms currently used to refer to organizations that aim to solve social problems with efficiency and financial sustainability using market mechanisms. As Young points out (2009), despite the ambiguity and diversity of these terms, we can state that this type of development is seen as important and distinct from the classical and traditional way of doing **business**.

One finds in the literature three main trends that explain inclusive businesses. The European perspective, derived from the tradition of social economy (associations and cooperatives), emphasizes the role of civil societies with public functions. The American perspective understands them primarily as private organizations dedicated to solving social problems. A third mainstream in developing countries emphasizes market initiatives aimed at poverty reduction and the transformation of social conditions of marginalized or excluded individuals.

Because it is a new terminology imported from the business environment, it has been the subject of heated debates among academics and **practitioners**. The lack of a homogeneous view is explained by two main factors: first, the different ways of defining the social character of the enterprise; and second, the different ways of evaluating the innovative character of this type of organization.

In the late twentieth century, Dees (1998) had already warned, in one of the pioneering texts on social entrepreneurship, that the language of social entrepreneurship might be new, but the phenomenon was not. The significance of nomenclature would come to be important for the frail boundaries among sectors and actors. In the case of inclusive businesses, matters are no different: it opens the opportunity to approach civil society organizations, cooperatives, small, medium or large companies, financiers and government in the debate about their contribution to the alleviation of poverty, inequality and social exclusion.

Analyzing the different definitions of inclusive businesses proposals in the international literature, the definitions used by inclusive businesses accelerator organizations (organizations that aim to facilitate and accelerate the maturation and consolidation of social enterprises) and the definitions proposed by investors in social/inclusive businesses (institutions that allocate national or international resources provided by individuals or business to invest in businesses whose goal is the solution of social problems), one can draw a line between what lies closer to market logic, and what is centered on social logic. Just as Austin (2002) proposed a continuum to evaluate alliances and cross-sector partnerships, one can also state that there is a continuum in the typology of inclusive businesses.

In general, inclusive businesses enable linking the low income sector to the market, and their main objective is to improve the living conditions of the poor. The improvement of living conditions, for some academics (including PRAHALAD and HART, 2002) is achieved through access to goods and services previously available only to the privileged class. Authors such as Karnani (2007) are more critical about a marketing and consumer view, which, according to them, does not help to reverse extreme poverty and increases environmental stress due to over-consumption. Sen (2000) emphasizes that the main problem of poverty is that it deprives people of freedom and that to revert this one must establish social and economic conditions capable of providing access to education, healthcare, housing and income generation for the poor. According to this approach, it would be better to encourage market initiatives that offer solutions to expand the supply of goods and services that meet the basic needs of education, health, energy, housing and financial services.

Another way to analyze inclusive businesses concerns the development driver. Prahalad and Hart (2002) reinforce the role of multinationals as key actors in the proposal of solutions to combat poverty in the world. On the other hand, a study by the Social Enterprise Knowledge Network (SEKN), a network

of researchers from business schools in the Ibero-American region, reinforces the role of small and medium enterprises, cooperatives and civil society organizations that focus on providing solutions for low income populations. From this perspective, the latter often play the role of producers and not merely of consumers.

The format of inclusive businesses may also vary: at one social extreme there are market initiatives structured by non-profit organizations and, at the other, there are market initiatives targeting the low income segment within multinationals. In other words, the initiative can be part of the organization's **core business**, or it can refer to a secondary or peripheral activity. Initiatives of civil society organizations that develop income generation activities to raise funds would be an example of market peripheral activity, as would a business unit aimed at the low income sector of a large multinational.

The divergence between distribution of profits and its non-distribution is closely linked to the format of inclusive businesses. There are schools that argue that income distribution is part of the market logic and does not represent an impediment to business growth, quite the contrary, since it can generate the conditions required to get more external investment (CHU, 2005). However, the approach of experts such as Yunus (2008) is totally contrary to this position, arguing that inclusive businesses should maximize social rather than individual wealth. Thus, they advocate the total reinvestment of profits in the business.

The governance model of inclusive businesses has not drawn much attention in American literature. However, European authors such as Borzaga and Giulia (2009) stress the importance of introducing in this type of project more collective and participatory forms of decision-making processes. The involvement of beneficiaries in decision-making is essential in organizations that undertake activities carried out by government (for instance, education and Healthcare).

Inclusive businesses generate economic value and social value intrinsically. The initiative should cover all costs involved. Márquez, Reficco and Berger (2010) explain that for initiatives developed by civil society organizations, the economic value should be defined as financial sustainability, i.e., the ability to operate indefinitely. For private-sector enterprises, economic value is synonymous with profit. According to these authors, subsidies would be acceptable in the following circumstances: in **startup ventures**, as a temporary means of achieving sustainability, or when subsidies are offered horizontally, i.e., offered to a sector or industry as a whole. Celli and Gonzáles (2010) point out differences between the companies that, since their inception, operate exclusively with the low income sector from companies that have been incorporating the low income sector into their traditional activities, such as pilot projects implemented by large corporations. In this case, it is necessary to calculate the internal rate of return of the project. Due to asymmetric information and transaction costs,

the market aimed at the low income segment is more costly than other markets (PRAHALAD and HART, 2002; CELLI and GONZÁLES, 2010). From the analyses of 33 cases, we concluded that only those initiatives that introduced technological innovations and new institutional arrangements were able to reduce costs in the distribution chain, acquiring scale and better profitability.

### 3. INCLUSIVE BUSINESSES: CONCEPTS, EXPECTATIONS AND RISKS

The following are the results of the survey based on questionnaires with closed questions used in the regional seminars held by FIEMG in several cities in the State of Minas Gerais (Belo Horizonte, Patos de Minas, Montes Claros, Juiz de Fora, Governador Valadares, Divinópolis, Uberlândia and Ipatinga) at different times in 2010. This questionnaire aimed to capture the perception of the different audiences that attended these seminars on inclusive business issues.

The survey applied a questionnaire to 698 respondents in eight Minas Gerais cities. According to some, this survey has an interesting sampling universe because of the diversity of the regions covered. In Belo Horizonte, the questionnaire was answered by people in business, the third sector, academia and other areas that attended the events that were part of the FIEMG project Sustainable Networks in different periods of 2010. The remaining questionnaires were applied in the different Minas Gerais cities in the regional FIEMG events on Corporate Social Responsibility (CSR).

As for the profile of the respondents, most were female (60.7%). The age with the highest concentration was 31-40 years old, with 25.5%, followed by the 19-25 range, with 25% and, in third place, the 41-50 range, with 19.2%. The educational level of most of the respondents was quite high, since 33.7% had a university degree; 28.3% were still doing their university course or had not completed it, whereas 20.5% had a postgraduate degree. Concerning the professional profile of

the respondents, 37.6% held managerial functions in their jobs. Most worked for private-sector enterprises (56.2%), followed by 17% in the third sector, 16.8% in the public sector and 9.9% in academia. Most had been working for up to 5 years (57.2%), followed by 20.1% with 6 to 10 years of work.

The questionnaire had 25 questions, the last of which was open for the respondent to describe inclusive business experiences that he/she might have had. Below, the most interesting data on the perception of the people who answered the questionnaires is shown.

Question 1 asked what the main obstacles to improve the living conditions of the poor (Table 1).

As Table 1 shows, the most frequent answer reflects the view that economically disadvantaged people have difficulty improving their quality of life because the public policies are inefficient, i.e., the State is the main party responsible for this condition.

The view that the poor are low-skilled to compete for jobs in a highly competitive market comes second. This perception results from a context in which the poor are required to have more formal education, i.e., a vision that disregards practical knowledge related to the working world. Furthermore, to bet only on increasing of education is a simplistic answer, as many studies point out that increased education per se does not ensure people's economic development. Several other variables influence this process, such as the social and cultural capital of the context in which the individuals live, which is a fundamental component for the quality of inclusion that they will achieve in the labor market.

Question 2 is related to the most frequent answer to the previous question, as it questioned respondents' views about the quality of Brazilian public policies in terms of developing the quality of life of the poor. For most respondents (78%), they are bad or very bad. There is a negative view of public policy. This perception runs contrary to the data that indicate a rising income among the poor, based on socioeconomic indicators developed in recent years and on the studies of the World Bank and of other organizations.

**Table 1**

#### ***What is the Main Problem to Improve the Living Conditions of the Poor?***

<b>Answers</b>	<b>%</b>
Inefficient public policies	39.1
Low qualification to compete for jobs in the labor market	34.3
Low mobilization of the poor	10.1
Lack of company interest in poverty	7.5
Difficulty of access to products and services consumed by the rich and the middle classes	4.5
Difficulty getting credit to finance the projects of the poor	4.4



Question 3 aimed to find out why the Brazilian poor have difficulty in creating profitable and sustainable businesses (see Table 2).

According to most of the respondents (45.7%), the main obstacle is that the poor lack qualifications. Here, again, the concept is that the poor need more formal education to ascend economically, a vision that runs contrary to that which values practical work knowledge, as advocated by Sennett (2009). The answer with the greatest incidence was that the poor cannot get financing at low interest rates. This would lead one to conclude that there is a need for micro credit for development of projects for the poor. The view that a shortage of contacts prevents the entry of the poor into the market comes third (17.6%). The poor are excluded from the labor market dynamics. Besides lack of contact, there are other types of resources that reinforce the power of individuals in society and consequently, the exclusion of the poor, keeping them on the fringes of society. These resources are economic, symbolic, historical and cultural capital, according to Bourdieu, as quoted by Milani (2003). One should note that the equals are not so equals, given that poor individuals grow and develop in an environment that does not offer fundamental resources for entering the labor market, so that individuals from rich families make different use of market integration opportunities relative to the poor. Consequently, Souza (2009) suggests that there is no meritocratic system. The poor lack access to the cultural capital of the middle class, which hinders their participation and progress in the labor market. Still in relation to this issue, Sen (2000) notes that poor individuals find it difficult to benefit from economic development precisely because they are on the fringes of society and of economic dynamics; regardless how large the flow of capital may be, it only targets certain social classes.

Question 4 asked the respondents about the job performance of different people that usually have few opportunities for integration in the work place: adults with little formal schooling, people with disabilities, low income young people without experience, the elderly, adult women with little school-

ing, and ethnic minorities such as indigenous peoples and the descendents of runaway slaves. Most of the respondents evaluate these groups as having low or medium job performance. People with disabilities are more favorably assessed, however, presumably because companies already have experience with this type of employee. To a lesser extent, there are initiatives currently under way to bring the elderly and women with little education into the labor market (as in cooperatives), but the major problem concerns the inclusion of poorly educated adults and young people, a considerable portion of poor that are still overlooked by the inclusion initiatives found in the labor market. The same applies to the communities of the descendents of runaway slaves and other traditional communities, which tend to be treated as stakeholders external to the companies and not as potential collaborators within their business structures.

Still within the set of questions that concern the poor, question 5 asked what the poor might contribute to companies' businesses development (see Table 3).

**Table 3**

***What is the Contribution of the Poor to the Development of Companies' Businesses?***

Answers	%
Knowledge of the reality of low income markets	27.1
Motivation and commitment to work	26.2
Humanization of market place	22.0
Innovation and flexibility in solving problems	13.4
Technology derived from traditional knowledge	6.1
Development of environmentally responsible technologies	4.5
The poor have nothing to contribute	0.7

**Table 2**

***Why do the Brazilian Poor have Difficulty Creating Profitable and Sustainable Businesses?***

Answers	%
They lack qualifications	45.7
They cannot finance with low interest rates	24.8
They have no contacts in the marketplace	17.6
They are unable to provide products and services for companies	9.5
They are not supported by NGOs	2.0
The Brazilian poor have no difficulty creating profitable and sustainable businesses	0.4

As shown on Table 3, most respondents said that knowledge of the reality of the low income market is the major contribution that the poor could provide to the development of a company's business. This view is aligned with the expectations about the prospects of the base of the pyramid, emphasizing the opportunity for economic gains from the development of products and services aimed at the larger portion of the social pyramid, i.e., the poor.

Another aspect suggested by this question is that one should disseminate the importance of appropriate technologies that make use of Community Knowledge, i.e., informal, traditional knowledge, as an opportunity to develop products and services and, consequently, economic gains for the poor (RODRIGUES and BARBIERI, 2008). This could perhaps become an important mechanism for generating employment and income. However, the respondents did not notice this much. Still, one can assume that the answers to this item were positive, in that the respondents do consider the poor as a potential public for the development of initiatives that further companies' businesses, inasmuch as only 0.7% believe that the poor have nothing to contribute.

The following questions address respondents' opinion about companies' position in relation to fighting poverty, more specifically regarding the implementation of inclusive businesses. For 92.8% of the respondents, corporate responsibility for eradicating poverty should be high. However, for 96.5%, there is little or no corporate commitment to this. Another question inquired if inclusive businesses should be a priority for companies in Brazil; 96.1% of the respondents answered yes. When asked about how the organizations that they worked for might be able to promote inclusive businesses, 31.7% said that their organizations already promote inclusive businesses, 8.1% said that their organizations might promote them in the near future, 34.7%, in the medium term, and 20.6%, in the long term; only 4.9% stated that the promotion of inclusive businesses is impracticable in their organizations. Therefore, it appears that enterprises can promote Inclusive Businesses, as the sum of the **already promote**, **short term** and **medium term** answers amount to 74.5% of the respondents.

The data presented in response to the questions discussed above point to a change of mentality, as individuals now expect real corporate commitment to fight poverty. Companies are no longer seen as strictly economic actors; it is expected that they are become political actors as well. Despite this expectation, the respondents are skeptical about corporate performance in this area: they do not believe that companies perform the role expected from them. This state of affairs indicates that there is an opportunity to recalibrate the fundamentals and the practices of CRS, given the type of people hired by companies as well as the issue of generating employment and income. These aspects (which seem to have lain in the background of Brazilian CRS initiatives in the last decade, which have centered on the community and the external public) although important, are not

focused on in terms of promoting sustainable and economic development of the population.

Questions 8 and 9 addressed respondents' knowledge about inclusive businesses. Here, 54 respondents or 8% of the total, felt that their knowledge of inclusive businesses was average; 30.2% said that they had limited knowledge of the subject; 9.8%, that they had a lot of knowledge; and 5.3%, that they had no knowledge of the subject. When asked about their degree of interest in acquiring more in-depth knowledge about inclusive businesses, 79.3% stated that their interest was high, 19% said it was limited, while 1.7% said they had low interest in it, or none. Thus, it is clear that the outlook for carrying out training programs and training in this area is good and that going into this topic in greater depth is a necessity.

Tables 4 and 5 shows the responses to the questions that asked which segments should promote inclusive businesses and which would be able to do this better.

**Table 4**

**Which Segments should Promote Inclusive Businesses?**

Answers	%
Public sector	37.1
Large companies	36.7
Micro and small enterprises	6.8
Cooperatives	6.8
NGOs	6.6
Medium-size enterprises	6.0
No segment	0.1

**Table 5**

**Which Segments can Promote Inclusive Businesses Properly?**

Answers	%
Large companies	36.4
Public sector	30.9
NGOs	12.7
Cooperatives	9.8
Micro and small enterprises	5.3
Medium-sized enterprises	4.7
No segment	0.1

In the tables above, one of the facts that stand out is that according to the respondents although the State has the duty to promote inclusive businesses, private-sector enterprises would be better prepared for this task. Furthermore, it is striking that according to them, NGOs and cooperatives would be better prepared to promote inclusive businesses than medium-sized, micro and small enterprises.

One must highlight that the discussions of inclusive business look upon the State as an actor that should develop the institutional environment for the promotion of inclusive businesses, not as an actor that actually runs such businesses. It is a market-centric approach, i.e., the development of these initiatives is transferred to the market. The replies of the respondents clash with the usual state-centric perspective, which sees the State as responsible for solving society's problems. Although the literature does not see the public sector as an actor that should promote inclusive businesses, it is important to note that the city administrations in most Brazilian municipalities are the sole source of income and employment of many people. Therefore, there is a major opportunity to promote inclusive businesses in the governmental arena. However, the laws that govern this sector, based on meritocracy, measured by public civil service exams and public tenders, are an obstacle to supplying products and services developed by the poor for public institutions.

The emphasis on large companies in connection with these issues can have negative consequences, for it overestimates the role of major corporations and disregards the potential of small and medium-sized enterprises to run inclusive initiatives. Inclusive businesses require that the potential of medium-sized and small enterprises be acknowledged, in particular because they are more involved with local territory, with the community, with the local ties. Consequently, these segments might help the economic development of the regions in which they operate without radically transforming their business models.

Finally, it is noteworthy that in regard to these two questions, a political or state centric or market centric vision predominates, civil society being disregarded. NGOs and cooperatives are only mentioned as capable because they maintain such initiatives, but the Brazilian political culture is yet to follow the lines mentioned above (GOHN, 2000).

Table 6 shows the responses to the question on why transnational companies might be interested in developing inclusive businesses.

As indicated in the table above, most respondents believe that corporate interest in the development of inclusive businesses is a mechanism to maximize profits, as 43.6% of them chose this option. For 34.6% of the respondents, commitment to this type of business is driven by the pressure of society and of consumers, i.e., the enterprise must align its business strategy with the interests of its different **stakeholders**. Only 12.8% believe that what stimulates enterprises is a real commitment to fighting poverty. In other words, the general view

Table 6

### Why are Large Transnational Companies Interested in Inclusive Businesses?

Answers	%
Businesses opportunity	43.6
Pressure of society and of consumers	35.0
Commitment to the eradication of poverty	12.8
Influence of NGOs	6.1
They are not interested	2.6

is that companies want to take advantage of the situation and lack commitment to eradicating poverty.

The view of inclusive businesses includes the assumption that enterprises will become more competitiveness as a result of implementing these initiatives. Therefore, it is an opportunity and a challenge to break the dichotomy of demonization or sanctification of enterprises regarding their attitudes to CRS, according to Abramovay (2003). It would be interesting to have greater participation and empowerment of civil society in dialog with enterprises about CRS practices. If we recognize that these practices enhance competitiveness, they should be required from companies to a greater extent.

Table 7 shows the opinion of the respondents as to which opportunities are more viable for the development of inclusive businesses in the country.

The preferred alternative was one that values local biodiversity, as seen on the table above. Among the possible causes for this greater incidence, one can mention acknowledging Brazil's wealth of biodiversity, the existence of many traditional local

Table 7

### Which Business Opportunities are More Viable for the Promotion of Inclusive Businesses?

Answers	%
Products derived from local biodiversity	21.3
Sustainable agriculture	19.9
Access to media (cell phone, internet, ...)	19.9
Food and nutrition	18.8
Access to water and sanitation	15.0
Cleaning and hygiene products	2.7
Transportation	2.0
No viable opportunities	0.4



communities and also the experiences of the Natura company in the area. Two options achieved the same percentage of choices: “sustainable agriculture” and “access to media” (both with 19.9 %). Sustainable agriculture can be a major employment and income generating possibility, because it helps to create wealth in the countryside and especially in the weakest link of the supply chain (the small farmers). Besides, it allows them to continue in their places of origin with no need to venture into bigger cities searching for underpaid jobs in a saturated and highly competitive market. The other option, which concerns electronic equipments, is a vision that reflects actions already taken by major companies in these sectors, aiming to produce and sell their products to lower income population. Thus, it is the view of inclusive businesses from the standpoint of the base of the pyramid: creating business opportunities by focusing on the poor. In general, one can see that the respondents are divided about which are the best inclusive businesses opportunities. This is positive, for it indicates that the range of opportunities is wide. However, the implementation of inclusive businesses in the “transport” segment drew very few votes, although this sector is a problem of Brazilian cities – perhaps because of the stigma of public transportation illegality found in the large cities.

Another question, also about the nature of inclusive businesses, asked what companies should do connection with this. As Table 8 shows, there are several possibilities, given that four options were chosen by a large percentage of the respondents. To judge from the alternatives chosen, it is clear that this is an opportunity to develop modern businesses strategies.

The questionnaire had one question that asked if the organization in which the respondent works engages in inclusive businesses strategies. Of one adds the results achieved by the options “as an overall strategy” and “as a strategy in certain

sectors”, one finds a substantial level of inclusive businesses: 38.8%. The options that indicate little or no engagement in inclusive businesses, i.e., “in a single sector or unit” and “in no sector or unit”, jointly, come to 36.4%. The remaining respondents chose the middle option, which is that the organizations that they work for engage in inclusive businesses “in a few sectors or units”, with 24.9%. Thus, the situation is very divided, maybe because the concept is new and some respondents confused inclusive businesses with the a range of different CSR practices.

Tables 9 and 10 refer to the respondents’ opinion about which are the sections of their enterprises that find it easier or harder to engage in inclusive business.

**Table 8**

***Which Business Opportunities are More Viable for Promoting Inclusive Businesses?***

Answers	%
To develop products and services in conjunction with the poor	26.0
To encourage partner companies to hire products and services from the poor	21.0
Frank and transparent dialog with local communities	18.9
To hire products and services developed by the poor	13.7
To facilitate the access of the poor to credit	8.7
To offer prices adapted to the reality of the poor	6.0
To re-configure its logistics strategy (package, transportation, distribution, ...)	5.8

**Table 9**

***Which is the Area in your Company that Engages or Would Engage the Most in Inclusive Businesses?***

Answers	%
Community relations	42.5
People management	23.6
Senior management	10.2
Production	9.4
Marketing and relationship with distributors	6.8
Logistics and relationship with suppliers	4.3
No area of the company	2.2
Financial	0.9

**Table 10**

***Which Section of your Company has More Difficulty Engaging in Inclusive Business?***

Answers	%
Financial	33.2
Senior management	24.7
Production	11.7
People management	7.4
Marketing and relationship with distributors	6.7
Logistics and relationship with suppliers	6.5
Relationship with communities	5.2
No section	4.6

As the two tables above show, there is a traditional culture of CSR in this setting, since the sections more inclined to foster inclusive initiatives are those that maintain a relationship with the community and the people management area. Those with more difficulty are the senior management and the financial area. In other words, the culture of promoting inclusive initiatives does not encompass the entire organization. However, for the effective implementation of inclusive businesses, the participation of top management is a must, because a reformulation of the business strategy of the organizations is required. From the perspective of the respondents, this audience is seen as an obstacle. This piece of data indicates there is a need to train this audience in inclusive businesses, in order to increase the awareness of senior and middle management and of other core organizational areas (such as the financial one) in terms of the demand for practices that go beyond what is usual in this field, i.e. doing business inclusively and making it possible to generate work and income for the low-income population.

When asked what would be the driving factors and the barriers for inclusive business, the picture proved to be different (see Tables 11 and 12).

As the two tables show, the respondents believe that organizations' willingness to promote inclusive businesses is the chief driving factor; they also believe that their [un]willingness hinders the promotion of inclusive businesses. Making a connection with what was previously said about senior and middle management, the latter's participation is required for the dissemination of an inclusive businesses culture in the entire organizational structure in order for it to become likely for the enterprise to promote this kind of business.

Other factors that, according to respondents, might contribute strongly to promoting inclusive businesses are availability

**Table 11**

**Which are the Main Driving Factors of Inclusive Businesses in Brazil?**

Answers	%
The willingness of organizations to promote inclusive businesses	17.8
Availability of labor	16.7
Profitable business conducted with the poor	13.7
Impact on the reputation of organizations	13.1
Law	12.1
Community awareness of the theme	10.7
Clients' awareness of the theme	7.5
Pressure from NGOs	7.2
No driving factors for inclusive businesses in Brazil	1.0

**Table 12**

**Which are The Main Barriers to Inclusive Businesses in Brazil?**

Answers	%
The willingness of the organizations to promote inclusive businesses	30.1
Law	29.2
Profitable business conducted with the poor	10.4
Availability of labor	9.4
Community awareness of the theme	9.4
Clients awareness of the theme	6.8
Impact on the reputation of organizations	3.3
NGOs concern	0.9
No restrictions to inclusive businesses in Brazil	0.5

of labor (16.7%) and the profitable businesses conducted with the poor (13.7%).

As barriers, the other options most often chosen were: law (29.2%) and the profitable businesses conducted with the poor (10.4%).

The two last questions of the questionnaire concerned respondents' expectations about inclusive businesses. When asked which criticism they would voice regarding inclusive businesses, there were five main options among the eight available. First, 24.2% of the respondents believe that companies are merely interested in selling products and services to the poor. Second, 23.0% had no criticism to make about inclusive businesses. Third, promoting inclusive businesses is not an efficient strategy to improve the quality of life of the poor (13.6%); fourth, 12.3% said it is utopian, because companies are not interested in fighting poverty (see Table 13).

When asked how they would like the initiatives of inclusive business to look like in five years, 97.6% wants them to grow. However, when asked how they believe these initiatives are likely to behave during this time span, the percentage of respondents falls to 68.8%, while 28.0% believe the inclusive business initiatives will remain at their current level. In other words, there is some hope, but it goes hand in hand with skepticism about the implementation of inclusive initiatives in the business structure of companies.

#### 4. CONCLUSIONS

Different names have been used to define an increasingly common phenomenon: the existence of organizations that aim to solve social problems through market mechanisms. The use

Table 13

**Which Criticism Would you Voice Regarding Inclusive Businesses?**

Answers	%
The companies are merely interested in selling products and services to the poor	24.2
I have no criticism regarding inclusive businesses	23.0
It is not an efficient strategy for improving the quality of life of the poor	13.6
It is utopian, because companies are not interested in the poor	12.3
They are not viable because of Brazilian law	11.5
The poor will never have access to small amounts of credit at low interests	5.8
It is not viable because companies will not change their management strategies	5.6
Hiring business from the poor is paternalism	4.1

of concepts such as **social enterprise**, **inclusive businesses** and **social businesses** to define a social initiative has given rise to intense debates, both among academics and among entrepreneurs. The lack of a homogeneous view is explained by two main factors: first, the different ways of defining the social character of the projects and second, the various ways to assess social impact and the innovative character of this type of organization.

The literature has three main trends that explain inclusive businesses. The European perspective, born from the tradition of social economy (associations, cooperatives), emphasizes the operation of civil society organizations with public functions. The American perspective considers inclusive businesses primarily as private-sector organizations with market logic dedicated to solving social problems. A third mainstream in developing countries emphasizes market initiatives that aim to reduce poverty and to transform the social conditions of marginalized or excluded individuals. The different definitions of social enterprise, voicing the most usual views found at present, may be new, but the phenomenon is old: the earliest terminologies date back to the late nineteenth century. Beyond terminology, the great novelty is that today the dialog between social organizations and private-sector initiative not only is increasingly common, it is also necessary in order to achieve and expand the desired social impact. Previously seen as two incompatible goals (financial sustainability and the creation of social value), these two elements have become inseparable and are the fundamental axis for the operation of inclusive businesses.

Besides the ambiguity and diversity of terms, one can state that this type of social enterprise demands a new format. What is required of the managers of such enterprises is also new, because, from the inception of these organizations, they must manage the conflicts and tensions that occur, being required to maximize social return with financial return. To do so, it is necessary to break away from the paradigms of the traditional way of doing business and acting in the social field. Since the start of the enterprise, it is fundamental to innovate and to enable new institutional arrangements. It is impossible to reproduce the traditional **business** model, merely adding a social dimension onto it. To the contrary, these enterprises need to think and act differently. Civil society organizations must team up with business organizations and jointly think about how they can act together, governed by market laws, but with the shared goal of helping to reverse the exclusion of the poor. In this environment, regardless of the name or classification of the project/initiative, co-creation is the key word.

It is striking that productivity, inventiveness and informal qualifications, the latter being the ability to respond appropriately to the daily requirements of work, can be quite significant for workers involved in inclusive businesses. Therefore, this would not be philanthropy, but transactions and business relationships based on profitability and economic performance. However, there are risks associated with bringing in this type of labor into inclusive businesses, even if one adopts a schedule regarding labor law. The fact that marginalized individuals have few job opportunities and low mobility in the labor market cannot be used as an excuse to pay them lower wages or even to select them because there is an expectation that they would be more subservient. Thus, a greater understanding of poverty and of its dynamics of sociability, often linked to the dynamics of oppression and exclusion, is needed, as the poor often have democratic and emancipative projects. The case of the collectors and recyclers in the Brazilian context is emblematic of this dual condition.

However, depending on who enunciates inclusive businesses proposals, one can find questionable assumptions in terms of what is promised in relation to poverty. The most important but questionable belief is that the market can, all by itself, balance all problems, in particular, poverty. It seems more appropriate to consider that although markets may be a prerequisite, they are insufficient to resolve all the social problems that afflict contemporary societies.

Another serious risk involving inclusive businesses strategies is the possibility of expanding the consumption of products with low environmental efficiency, leading to greater environment degradation. Although Hart conceiving eco-efficiency as a prerequisite for operating at the base of the pyramid, most of the national experiences related to the market of the poor do not show that major companies are interested in changing their technological and operational systems to generate new products and services with low environmental impact for the

poor. What seems to go unnoticed in this sudden corporate interest in inclusive businesses is that a paradigm shift is required for building corporate businesses, a strategy much celebrated in general business discourse, but always very disappointing when the actual management strategy innovations embraced by companies are assessed.

One cannot deny that consumption enables the improvement of living conditions among the poor and can, secondarily, help to fight the serious problem of standards of living. However, the risk of inclusive businesses strategies leading to major corporations capturing informal businesses built by the poor is great. Furthermore, it seems unhealthy for the poor and for democracy that millions of deprived individuals worldwide should be dependent on a few major multinationals.

With inclusive businesses, there seems to be a worthy concern with the poverty issue, surpassing previous positions of low corporate commitment to this matter. The weak and

inconsistent discourse to the effect that by stimulating business, the economy would automatically generate employment and income and, with it, benefits for all the society, loses strength as a result of this discussion.

It would be useful to go into more depth in these theoretical and conceptual discussions from the perspective of corporate social responsibility, especially in the Brazilian context, a country in which the circumstances of the poor have changed significantly in recent years, and where advances have also taken place in applied studies of local or regional experiences designed to promote inclusive businesses. If Brazil's future reserves incorporation into the middle class for the majority of the poor, as seems to be the current trend, then inclusive businesses will acquire an even greater importance and will merit further attention, both of those interested in social inclusion and of researchers dedicated to understanding emerging markets in the contemporary world. ♦

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## ABSTRACT

**Inclusive business and poverty: prospects in the Brazilian context**

Inclusive business is a term currently used to explain the organizations that aim to solve social problems with efficiency and financial sustainability by means of market mechanisms. It can be said that inclusive businesses are those targeted at generating employment and income for groups with little or no market mobility, in keeping with the standards of so-called “decent jobs” and in a self-sustaining manner, i.e., generating profit for the enterprises, and establishing relationships with typical business organizations as suppliers of products and services or in the distribution of this type of production. This article discusses the different concepts found in the scientific literature on inclusive businesses. It also analyses data from a survey conducted with the audiences of Social Corporate Responsibility seminars held by FIEMG. This analysis reveals that prospects, risks and idealizations similar to those found in inclusive business theories can also be found among individuals that run social corporate responsibility projects, even if this designation is new for them. The connection between companies and poverty, especially in relation to inclusive businesses, seems full of stumbling blocks and traps in the Brazilian context.

**Keywords:** inclusive business, inclusive markets, social enterprise, poverty.

## RESUMEN

**Negocios inclusivos y pobreza: perspectivas en el contexto brasileño**

Negocios inclusivos es un término adoptado para explicar las organizaciones que tienen como objetivo solucionar problemas sociales con eficiencia y sostenibilidad financiera. Se puede decir que los negocios inclusivos son aquellos dirigidos a generar oportunidades de empleo e ingresos para grupos con baja movilidad en el mercado de trabajo, dentro de los estándares del denominado “trabajo decente” y de forma autosostenible, estableciendo relaciones con organizaciones empresariales privadas tradicionales, en la condición de proveedores o distribuidores de sus productos o servicios. En este artículo se analizan las diferentes concepciones que aparecen en la literatura científica sobre negocios inclusivos, así como los datos provenientes de encuestas con el público participante en los seminarios sobre Responsabilidad Social Empresarial promovidos por la FIEMG (*Federação das Indústrias do Estado de Minas Gerais*). Dicho análisis revela que perspectivas, riesgos e idealizaciones semejantes a los que se observan en la teorización sobre negocios inclusivos también se pueden encontrar entre individuos involucrados en la gestión de proyectos de responsabilidad social empresarial, aunque para ellos esa denominación sea una novedad. La relación entre empresas y pobreza, sobre todo en los caminos de los negocios inclusivos, parece llena de tropiezos y trampas en el contexto brasileño.

**Palabras clave:** negocios inclusivos, mercados inclusivos, empresa social, pobreza.