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Corporate-Led Sustainable Development and Energy Poverty Alleviation at the Bottom of the Pyramid: The Case of the CleanCook in Nigeria

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Summary. — Corporations are increasingly viewed as key actors in poverty alleviation. “Bottom of the Pyramid” (BoP) advocates suggest that MultiNational Corporations (MNCs) can simultaneously alleviate poverty and make profits by selling scaled-down products to the poor. Our paper investigates this claim using the case of the CleanCook stove-and-fuel technology introduced in Nigeria by an MNC working through a nonprofit organization and local business actors. Supply and demand-side analyses show that the CleanCook is least likely to reach the energy-poor BoP households originally targeted. The evidence suggests that serving the BoP requires greater differentiation than can be achieved with profit-driven business models.

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Key words — bottom of the pyramid, CleanCook, corporate-led development, energy poverty, Nigeria, Africa

1. INTRODUCTION

Private sector actors are increasingly viewed as key contributors to poverty alleviation and sustainable development objectives such as those envisioned in the Millennium Development Goals (MDGs). In particular, emphasis has been placed on the lead role that MultiNational Corporations (MNCs) can potentially play in applying business principles and practices to solve development problems. In what is variously described as a movement in corporate social responsibility (Newell & Frynas, 2007; O’Laughlin, 2008) or corporate community development (Muthuri, 2008), proponents argue that MNCs possess a unique combination of features required to combat poverty on a global scale including access to technology, skills, and finance; proven ability to access even the most remote of locations; and a tendency to stick with projects once they have been established (Lodge, 2002). Such arguments have been particularly resonant in light of critiques of state-led models of development and waves of deregulation which began to emerge in the 1980s alongside civil society and market actors playing a governing role in key areas such as provision of water, electricity, health, and education (Newell & Frynas, 2007). Advocates of corporate-led development extend their critique of traditional development efforts to UN-based international development agencies, arguing that they tend to reinforce rather than replace systems’ underlying poverty (Lodge, 2002). Indeed, the traditional providers of development aid are themselves making the case for greater private sector involvement in poverty alleviation. For example, the UN has launched a Global Compact to establish global “sustainable development partnerships” (Levy & Chernyak, 2006) between itself, governments, civil society, labor, and business toward realization of the MDGs (United Nations, 2008). Further, under the current global climate of

market liberalization, civil society organizations have begun collaborating with private sector actors to “cocreate” delivery models which are aimed at increasing the transformative potential of development interventions (Brugmann & Prahalad, 2007). The underlying premise of the cocreation approach is that each set of actors brings a unique set of skills and resources to the table which can be leveraged by the other to facilitate achievement of the shared goal of poverty alleviation (Brugmann & Prahalad, 2007).

In this paper, we aim to contribute to the ongoing interrogation of the corporate-led development movement in development studies (e.g., Newell, 2008; Newell & Frynas, 2007; O’Laughlin, 2008; Utting, 2008). Specifically, we focus on the role envisaged for business in linking poverty alleviation with sustainable development through the promotion of clean energy technologies.

Kolk and van Tulder (2006) argue that technologies that meet the needs of host peoples should be a key element of corporate-led initiatives that are targeted at developing countries. Prahalad and Hart (2002) in their influential “Bottom of the Pyramid” (BoP) concept propose that corporations can improve the quality of life of the poorest in developing countries by creating basic versions of existing products that people at the bottom of the income pyramid would otherwise not be able to afford.

Our paper draws on empirical investigation of one such technology—the CleanCook stove-and-fuel technology—to assess corporate involvement in poverty alleviation and

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sustainable development in developing countries. The CleanCook technology is promoted by the Sweden-based MNC, Dometic AB, to address the problem of widespread dependence on fuelwood and other solid biomass fuels for cooking in poor countries. According to the International Energy Agency, an estimated 2.7 billion people lack access to modern cooking energy sources such as Liquefied Petroleum Gas (LPG) and electricity—almost twice the number of those who lack access to electricity for lighting (OECD/IEA, 2010). These two interrelated dimensions are key indices of the phenomenon labeled energy poverty in developing country contexts (OECD/IEA, 2010). The United Nations Commission for Sustainable Development (UNCSD) states that lack of access to energy hinders development (including achievement of the MDGs), undermines economic growth, and puts a strain on the environment (UNCSD, 2007). Access to modern, “clean” energy sources for cooking and lighting is therefore considered to be crucial for multiple MDGs including the eradication of poverty and hunger, the promotion of gender equality, educational attainment, health, and environmental sustainability (UNDP, 2010).

This paper focuses on the initiative to promote CleanCook in Nigeria, where fieldwork was conducted in 2009, to determine the extent to which it is likely to succeed in its primary objective to alleviate energy poverty among biomass-reliant populations at the bottom of the income pyramid. The paper begins by expanding on the emerging corporate-led model of sustainable development and poverty alleviation in developing countries. This is followed by a methodological section elaborating on the process by which data were gathered in the course of empirical research in Nigeria. Our discussion of the CleanCook initiative starts with a description of the project’s origins in the global North and its presentation as an appropriate technological solution to the problem of energy poverty in developing countries generally, and in Nigeria particularly. We then go on to assess the impact that the business-led delivery model envisaged will have on the objective of energy poverty alleviation in the Nigerian context, first from a supply-side and then from a demand-side perspective. The paper concludes with a discussion of the implications of the project outcomes for corporate-led initiatives aimed at alleviating poverty among bottom-of-the-pyramid populations in developing country contexts.

2. BUSINESS AND SUSTAINABLE DEVELOPMENT AT THE BOTTOM OF THE PYRAMID

The notion of business engaging with other actors to support marginalized groups is not new—corporations in the global North and South have long been involved in philanthropic ventures to support local communities (Chapple & Moon, 2005; Reed & Reed, 2009). Traditionally, such community involvement by corporations involved either donations to a charity, which then assumed responsibility for delivering social outcomes, or the direct management of social investment in-house (Nwankwo, Phillips, & Tracey, 2007). These approaches have however come under criticism for their limited contribution to local capacity building, their focus on short-term outcomes, and the restricted role that they afford to communities (Nwankwo *et al.*, 2007).

Although instances of the corporate philanthropic approach to poverty alleviation remain in practice (see, for example, O’Laughlin, 2008), there is a growing emphasis on seeing poor people as customers (Prahalad & Hart, 1999) or as active producers (Karnani, 2007a), rather than merely as passive

beneficiaries of benevolent business actors. The view of poor people as customers is encapsulated in the “Bottom of the Pyramid” (BoP) concept (Prahalad, 2004; Prahalad & Hart, 2002). The term “BoP” is used by Prahalad and Hart (2002) to refer to the “world’s 4 billion poorest people” (p. 2) variously described as earning less than US\$ 1500 a year (Prahalad & Hart, 2002); less than US\$ 2000 a year (Prahalad & Hammond, 2002); and less than US\$ 2 a day (Prahalad, 2004). Regardless of where the poverty line is drawn, Prahalad and Hart (2002) argue that the BoP offers enormous opportunities for companies to diversify their products and services to the mass markets of the poor, who benefit by gaining access to products that are simultaneously better and cheaper than existing local alternatives. The market at the bottom of the pyramid, Hart and Christensen (2002) suggest, is completely unsaturated by contrast with the limited growth opportunities in traditional developed country markets.

The core of the BoP proposition is that business actors can provide price- and culture-sensitive products to poor people previously excluded from formal market transactions while maintaining their profitability. Thus marketing to the BoP involves offering scaled down (but not necessarily lower quality) versions of products selling in global and local markets at far higher prices than the poorest in developing countries can afford. Scaling down existing products is essential if poor people are to be able to afford them, but this process of innovation is also considered significant in terms of environmental objectives. Indeed, Prahalad and Hart (2002) suggest that countries which do not yet meet basic human needs are ideal testing grounds for businesses to develop environmentally sustainable technologies and products for the world as a whole. Hart and Christensen (2002) label such technologies “disruptive innovations” which are capable of combining the goals of corporate growth with social and environmental responsibility. One of their many examples is that of sustainable energy access where they argue that there is a potential bonanza awaiting business pioneers who focus on developing decentralized renewable fuel technologies for the majority of people at the bottom of the pyramid.

In the world of practice, we see the UN Global Compact placing the main responsibility for innovation, development, commercialization, and widespread dissemination of technologies—particularly clean technologies—on businesses. Indeed, three out of the ten principles of the Compact specifically encourage businesses to develop and diffuse environmentally-friendly technologies (United Nations, 2008). This convergence of corporate responsibility, sustainable development, and promotion of technology can also be seen in the CEO-led World Business Council for Sustainable Development (WBCSD) set up to provide business leadership on sustainable development issues (WBCSD website). Sustainable development is defined in terms of meeting the needs of the present without compromising future generations, allowing the WBCSD to define itself as a leading business organization advocating market-based solutions to both development and environmental challenges (WBCSD website).

However, the plausibility of the BoP theory and of the larger role envisaged for corporate actors in development has been challenged on several fronts, both in the business and development studies literatures. The critical point that is perhaps most pertinent to the BoP proposition in both literatures is the fundamental tension—even incompatibility—observed between the business imperative of profit maximization and the development objectives of poverty alleviation and sustainability (for example, Bond, 2008; Karnani, 2007a; O’Laughlin, 2008). Karnani (2007a) points out that many of the examples

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