

GLOBAL POVERTY – IS BUSINESS THE ANSWER?

When activists discuss the way less developed countries have missed out on the benefits of globalization, multinational corporations are often portrayed as the villain. To George C. Lodge they're the solution -- and the only one.

A professor at Harvard Business School for more than 40 years and expert on developing economies, Lodge has developed a radical plan to combat global poverty by harnessing the power of big business, rather than complaining about its effects.

His proposal would see the world's biggest multinational corporations, with the support of charities and the United Nations, set up and manage aid projects with the eventual aim of making a profit.

Thus, as one example, Swiss food giant Nestle could manage a Third World dairy, with building services group Cemex providing the housing and Ericsson, a leading telecoms player, sorting out communications.

In a newly-published book co-written with Australian aid sector economist Craig Wilson, Lodge argues that decades of global aid spending on poorer countries -- some \$2.5 trillion since World War II -- has largely been wasted.

"Much of the money goes to governments," Lodge argues. "The problem is that in many countries of the world, governments lack either the desire or the ability to reduce poverty.

"So what you are doing is sustaining a status quo which may indeed be the cause of poverty. And people are realizing that this is the case, even the World Bank."

Where poorer nations have pulled themselves upwards, such as Japan, South Korea and Singapore, business has been at the center of wealth creation, Lodge notes.

His book calls for the establishment of the World Development Corporation (WDC) -- an aid organization which while "blessed" by charities and the UN, would be run by multinationals on strict business lines.

The WDC would be owned and managed by about 12 multinationals. I'm thinking of the companies that have historically had a good record in the developing world: Unilever, Nestle, Cemex, BP, Shell and so on," says Lodge.

"The staff of the WDC would identify a country, identify a project in that country that would have a maximum effect on poverty and that would, eventually, be profitable, and thus sustainable."

Initially, however, projects would be sustained with public money.

"That raises legitimacy problems, of course -- why should public funds be used to finance a profitable venture? That legitimacy problem would require the oversight of NGOs and the UN, that's why their involvement is so important," he says.

Lodge bases his idea on hard experience. In charge of international labor relations while serving in the Eisenhower and Kennedy administrations, Lodge traveled widely in developing nations.

He later helped set up INCAE, now Latin America's best-renowned business school. There, Lodge spent three years studying a project in Panama where a provincial bishop had established a co-operative to assist poor farmers.

It was only a success, he, says, because it made a profit: "There isn't enough charity money in the world -- or tax revenue -- to reduce global poverty substantially. It can only be done by profitable business."

The WDC would be "the missing link" in development, says Lodge, who has discussed it with charities and the UN, and even has a chief executive of a global company -- who he declines to name for now -- slated to head it.

The WDC would also tackle fundamental contradictions caused by the increasing primacy of global business.

"The old idea that a corporation derives legitimacy from satisfying shareholders and competing to satisfy consumer desires is no longer adequate. One reason is that the sum of consumer desires does not necessarily equal community need," says Lodge

"Governments, of course, are supposed to define community needs and see that they are fulfilled. The trouble is that in much of the world, governments are not doing that in a way that is acceptable to public opinion.

"So the multinational is left, forced in effect to itself define community need and to implement it. This is a legitimacy problem, because nobody elected them to do that."

Is business the answer to global poverty?

Name: **Paramasvaran Kandiah**

Location: **Kuala Lumpur, Malaysia**

Business organizations and especially large globalized businesses have at their command expertise; initiatives and resources which governments led by 'politicians' can hardly match by any stretch of the imagination.

Politicians again know that they have a short life of service and would therefore hardly have the resilience to keep the needs of the communities 'going'. Business has long-term interests and business leaders with a holistic touch can do wonders that no government can do.

The Tatas of India may be one fine example and there are many more such men of goodwill that I have no space to mention. Kudos for at least generating this thought which hopefully will germinate in the 'minds' of the business world.

Name: **Alex**

Location: **Kuala Lumpur, Malaysia**

Look around you. What do we see? Offices, restaurants, highways, airports etc. What makes the construction or development of these facilities possible? It's all money.

I believe the main difference between a developed nation and a less developed one is how efficient their financial systems is run. When I mean financial systems, I mean issues such as allocation of capital, financial liberalization and government incentives to spur both foreign and domestic investment.

Poor countries are poor and will continue to be poor unless they improve their financial industry. They should open up their economies to foreign investment gradually, cut down corruption so that money is diverted to channels that will actually stimulate economic growth and increase the wealth of the general population.

They should also strive to improve financial transparency so that companies' financial information is known to the public. When the financial information of companies is disclosed to everyone, there won't be any group of people who is more advantaged than the other to reap commercial profits. When this equality is achieved, companies will less likely resort to corruption and have more reason to improve their company financial performance to attract potential investors.

Name: **Sushil Dhar**

Location: **New Delhi, India**

Is business the answer? No! Education is the answer to global poverty. Educate people and they will find a way to come out of poverty.

Name: **Sara**

Location: **Kearney, Nebraska, U.S.**

Perhaps these businesses, instead of contributing funds that may never lead to a result due to the potential for corruption, should invest that money into educating children and their families.

The old saying goes, "knowledge is power," and without creative minds rationalizing the best options for themselves, the status quo will prevail. However, if you educate those who are young enough to mobilize themselves out of a bad situation and yet give those who are unable to leave for a better life the chance to to maximize their own profits, eventually the private business sector will close the gap between the rich and the poor....or at least narrow it to some degree.

Name: **Karunagaren Rajagopal**

Location: **Malaysia**

Poverty cannot be resolved by business alone. Business's primary motive is to bring riches to its principals, not eradicate poverty.

Some African countries have in principal gone backwards in the last 20 years. Globalization has given rise to mammoth economic corporations monopolizing entire market segments, the result of the unbridled greed of business owners, primarily from the West.

Education is the key to tackling poverty. Everyone must have the right to education. Education will give an individual the means to escape poverty.

Name: **Anthony**

Location: **Stamford, Connecticut, U.S.**

The answer to global poverty is that it is not a problem that needs answering, but rather a reality that has been with us from the beginning of human time and will always be with us. Even in communal organizations, some individuals have more than others. Poverty and wealth are relative faces of the same coin (human development).

For example, if the world were to plunge into nuclear war tomorrow, whereby all of the historically wealthier nations of the world were plunged into a world of contamination and gore, and Africa was spared, then the currently poor nations with their green forests, water and animal stocks would be FAR richer than the rest of the world.

My point here, of course, is that to accept world poverty is to accept reality. We should strive to help alleviate our fellow man's plight, but perhaps we should focus within, before looking without.

Name: **Ace**

Location: **Vienna, Austria**

Most small communities (especially in Africa) have little money to invest and no buyers of products and services that might be produced. Agriculture products are produced but nobody has money to purchase the products produced. The products have to be sold at near cost of production, traded for other products, or consumed by the producer. These communities do not have the minimum level of products and services needed for existence.

Is there a solution to this problem? Money is available for investment in small businesses, but what good is this in a community with few buyers? What good is this in a community with low education and few entrepreneurs?

A solution could be to set up several mutually compatible service companies (franchises) at the same time. These companies would be set up on borrowed money, which would bring money into a community.

The companies would create a large number of new jobs. They would purchase the agriculture products of the community, add value to these products, and re-sell the products back to the community with only a small markup to cover operating costs and to repay the loans.

Name: **Voncile Taylor**

Location: **Alabama, U.S.**

I personally think there is no answer. These people breed faster than any business could ever keep up with. They keep having babies even though they are starving and

homeless?? They do this no matter what is done for them. I for one do not want any money to go to these countries!!!

Name: **Siddarth Aggarwal**

Location: **Jaipur, India**

Sure!! Businesses can bridge the gap between the wealthier and the poorer ones. There is one solution for people community in Africa where there is very little support from the government in monetary terms and where people do not have any resources for generating funds for their livelihood.

With microcredit, you invite an entrepreneur to start operating a "bank" in the region to provide the loans, initially for encouraging people to carry some new business activity on small scale. This money is then returned and lent to another person.

In this way everybody is encouraged to work for one purpose and the money gets fully utilized. This solution is well tested in Bangladesh.

Name: **Ken Guy**

Location: **England, U.K.**

Can business help? Absolutely.

In the ideal world a country is run by a board of directors who oversee every part of it with a view to making it work as a business. Thus the health service would work so efficiently that it could easily be sustained from specific taxes.

No company director would countenance the manufacture of gas guzzling vehicles that are able to exceed the legal speed limit. Costs would come down dramatically if vehicles able to go too fast were banned from being made and imported.

Like wise the most efficient transport system is the railway. With a proper system in place costs would tumble and roads would be emptied.

Only businessmen can achieve these results, not namby pamby, frightened to lose your vote politicians.

A forever changing government is the surest way to ruin. But we must not forget the safeguards. Otherwise our directors may become despots.

Name: **H. A. Donkor**

Location: **London, U.K.**

It is an undeniable fact that businesses create wealth. C. K. Prahalad in his book 'The Fortune at the Bottom of the Pyramid' gives another strong view of how poverty can be alleviated. It is time we listen to these good brains. Governments are wasting poverty-alleviation monies.

Name: **Marcos Bandeira**

Location: **Brazil**

In my opinion there is a point which seemingly everyone here has forgotten -- that many of the people living in poor countries already do business, and do it good!

There's a reason why Latin American countries score fairly low on income-distribution rates: there are many people there who make millions a year producing everything from shoes to computers. To artificially create a 'corporation workgroup' in order to 'develop' a country like Brazil would only take these people who are already producing there out of the market! This is really not a solution, not even for the poorest of the countries.

I do think that business is the one thing that can bring countries to develop themselves. But this business should be created inside these countries, and not through an international collusion.

For me, the only way to develop poor countries is through fighting the overwhelming corruption inside these countries. Not only the independent work of people such as the Transparency International plays a big role here, but also international politics have to do their part.

Name: **Peter Graves**

Location: **Canberra, Australia**

Helping to create small businesses is certainly one answer. 2005 was the International Year of Microcredit. A small loan of \$150 can start a small business and mean an income for the borrower. A better quality of life results for their children, too.

Name: **Jim Dempsey**

Location: **Alabama, U.S.**

Give a man a fish... or a fishing industry.

Name: **Katherine Marshall**

Location: **Guyana**

This conversation is a wonderful start in the right direction. Who burnt the bridge between the wealth-creating power of businesses and the state of lack which characterizes the poor's existence?

We need to think more deeply about how to harness the strength of the profit motive so that the poor are not favored, aided or given welfare but have the same opportunities and support as anyone else.

Name: **Varun Dhanwantri**

Location: **Dubai, U.A.E.**

Yes, business can be an answer to poverty, hunger, shelter and education. However, there is a need to create a system.

Let's take an example. Choose a country in Africa which may need new living areas. Approach two private aid sources. Approach a large construction company. Approach

a shipping company. We have the capital to ask the two to provide the material and help for about two years in that country to build living areas, schools, hospitals. It will cost a LOT! But will be worth it.

Similarly, the locals can be helped to put together an agricultural background. Ultimately this is all possible only through a strong source; strong in capital, manpower and logistics. And this is only through business.

Name: **Gerrie**

Location: **Zimbabwe**

Can business end poverty? Yes, in many ways it is if harnessed appropriately. Being in Africa I see a real lack of empowerment and I think helping people help themselves does a lot more than making them dependent.

Name: **Adeolu Kilanko**

Location: **Nigeria**

No, business is for people who have excess. People who cannot solve their basic human needs of shelter, food and clothing have nothing to invest.

I believe that before getting a man a job, solve his pressing problem first. This will prepare him mentally for the task. The have should aid the have nots to solve their basic human day-to-day needs. It is after this that business could come in.

Name: **Aman Sidhana**

Location: **Delhi, India**

Is business the answer to global poverty? I say yes to quite an extent. The thing we need to be sensitive about is that the interests of the involved nations should not be lost while thinking of business sense.

Education and working on a common platform seems to be a logical solution to the above. There needs to be a strong political will and we need to look beyond natural and mental barriers.

Name: **Moody Amakobe**

Location: **Newark, Delaware, U.S.**

Well, whether we Africans like it or not, we need to come to a common understanding and quit giving up on Africa, put the blame on our leaders, try to combat poverty by all means possible.

At the end of the day, we will be the ones to blame. Why? Because I believe we have an opportunity to make a difference.

I agree that business WILL change the face of Africa, what I am not satisfied with is that Western companies should come and implement their firms in Africa (mark you I am not trying to be biased or anything close to that).

Of course, there are plenty of these companies as mentioned earlier eg Unilever, Microsoft, Bata, the list goes on, but what difference does it make?

None at all, because these businesses are being pushed to deliver or else they are shut down; of course to them there is nothing to lose only something to gain.

Name: **Reine Karlsson**

Location: **Kalmar, Sweden**

Is business the answer? Yes!

The business world development path seems to be closer to a positive kind of democracy than most of today's politically-based governments, by allocating a reasonable part of the available resources to production of what most people actually want.

However, there is a need for transparency and clarity which is almost as difficult to achieve for the business world as for politically-based organizations.

Name: **Rinde Fadirepo**

Location: **U.S.**

This forum is great. One thing I feel we cannot miss in this whole picture is that in order for a multinational business to help with poverty in developing countries, they must also work within the host culture to achieve objectives.

By this I mean that culturally motivated ideas which work in Western countries might not be congruent with the culture and society of various developing countries. Sometimes big business could mean the erosion of culture and if care is not taken can become a new colonialism.

Name: **Mahesh**

Location: **Mumbai, India**

I strongly believe that business is an answer to global poverty. But the problem is with the mindset that business is all about profit making. Business with philanthropic motives can solve a number of problems which we face in the current scenario.

But obviously, there is a difference in business and charity.

Name: **Eliza Sly**

Location: **Buenos Aires, Argentina**

No, business is not the answer. The answer is education. Each country has their own culture which you cannot change. Respect the culture, and then educate.

Name: **Omara Ojong Achale**

Location: **Munster, Germany**

Some of these multinational firms have very aggressive business policies that only worsen poverty among the locals.

An example is Nestle, because one of its principal products, chocolate, which is made from cocoa beans, a plant mainly grown in poor nations in Africa, the Caribbean and South America, is priced too high for locals consumers in these nations where the Income levels are very low.

Name: **Funmilayo Jegede**

Location: **The Hague, Netherlands**

Business alone is not the answer. It depends on the willingness and ability of businesses and countries to implement a cultural change on an unprecedented scale whilst also achieving some clear business benefits.

It's essential to define a solution that is self-sustaining and allows countries in poverty to play an active and positive role in the world economy.

I'd be inclined to say that the key is maintaining the external view and developing towards that. It's much the same principal as many successful businesses run on. Perhaps a different interpretation on the question -- running a country like a business is the answer to global poverty.

Source: <http://www.principalvoices.com/2006/economy/poverty.html>