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ETHICAL CONCERNS AT THE BOTTOM OF THE PYRAMID: WHERE CSR MEETS BOP

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Abstract: There is growing interest in C.K. Prahalad's concept of attacking world poverty by encouraging multinational firms to do business with the "bottom of the pyramid," the billions of people in the world who must survive on $2 a day or less. This paper enumerates and describes the ethical problems associated with this concept and reviews two classic case studies which shed light on our analysis. Prahalad specifically disassociates his concept from corporate social responsibility. However, this paper argues that properly understood, the core elements of corporate social responsibility must be incorporated into bottom-of-the-pyramid strategies if they are to have any chance of success

Keywords: marketing to the poor, ethics, corporate social responsibility, bottom of the pyramid

DEFINING THE ISSUE

Throughout this decade excitement has continued to build about finding a "fortune at the bottom of the pyramid," a concept and phrase first introduced by Prahalad and Hart in 2002 and then expanded by Prahalad in 2005. The authors hold out the hope that by doing business with the most impoverished people around the world who make up the so-called bottom of the (economic) pyramid, or BOP, firms can not only make substantial profits but can "bring prosperity to the poor" and help to eradicate poverty across the globe (Vachani and Smith (2008) set the number of this population at 2.7 billion). This would be the quintessential win-win situation; it is an intriguing, promising, and seductive prospect. Quite understandably, these individuals and families who earn less than $2 per day have been largely ignored because, as a "market," they have so little to spend and also because many of them are so difficult to reach.

But Prahalad argues that in spite of their deplorably small per capita income the sheer number of these individuals makes up a potential market of trillions of dollars of disposable income. He cites examples of a few firms which have found creative ways to design, package, price, advertise, and deliver products for this market. Hindustan Lever markets its Annapurna brand salt to the BOP in a small package size. Amul, a large Indian dairy cooperative, has had similar success in marketing its ice cream. An eye care center has reduced drastically the cost of eye surgery through operational innovations and provides its services free to those who still cannot afford the price. Casas Bahia, a Brazilian retailer, has made appliances available to thousands by offering credit to those who previously could not qualify. Hindustan Lever has also pioneered a new distribution system, described below, using poor but entrepreneurial Indian women as intermediaries to cover hard-to-reach small villages. Furthermore, Prahalad reasons that engaging these poorest of the poor in such commerce will eventually turn the income distribution pyramid into a diamond pattern as hundreds of millions and ultimately billions of the poor move up the income distribution ladder and swell the ranks of the lower-middle and middle income tiers.

When in 2006 the Nobel Peace Prize was awarded to Muhammad Yunus and the Grameen Bank for their pioneering work in offering "microcredit" loans to individual poor Bangladeshi women so that they could pursue small but productive and profitable entrepreneurial projects, the concept of eradicating poverty by engaging in commercial activity with the BOP gained world-wide attention (see Yunus, 1999). The Wall Street Journal (Byron, 2007) recently reported that Procter & Gamble has established a unique distribution system in Mexico to sell small portions (sachets) of detergent and even single disposable diapers through thousands of tiny tienditas, the closet-sized mom-and-pop stores frequented by Mexico's poor. The stakes are high for consumer goods companies, according to the article; revenues gained from emerging markets accounted for 40% of sales for Unilever and Colgate-Palmolive and 26% for P&G, and the rates of growth for these market segments far exceed what these companies now experience in their mature, established markets.

Prahalad's BOP strategy has some inherent problems, however, and he admits that "profit creation and poverty alleviation do not mix easily or well" (2005:9). Whether his vision is feasible or whether it is a "mirage," as Aneel Karnani (2007) argues in a rebuttal article, is a debate that should engage scholars for some time to come. In the meantime business schools in the United States from Harvard in the east to San Francisco State University in the west, and any number of schools in between, have adopted courses that encourage their students to grapple with the complexities of doing business with the BOP and dream the perhaps impossible dream.

Meanwhile, as momentum builds behind this concept, and as multinational firms join the search for this "fortune," it will be important to explore two related subjects: what do we know about corporate social responsibility (CSR), stakeholder management, and the proper role of business in the global society that should guide our progress, and second, what ethical questions are raised in doing business with this vast group of impoverished stakeholders?

THE TRUE NATURE OF CSR

At its most fundamental core, corporate social responsibility encompasses two related principles. First, profit maximization is not the sole purpose of the firm. The bottom line cannot be measured only in economic terms but must reflect, and in some cases be tempered by, social and environmental metrics as well. This is what is meant by the so-called "triple" bottom line. Second, a firm's shareholders are not the only stakeholder group for whom managers bear some responsibility and with whom they have sometimes important relationships. The constellation of stakeholders for any firm includes its employees, customers, suppliers, and the communities in which it operates, along with its shareholders. More often than not, and always with firms of any significant size, the list of stakeholders will include various governmental agencies, the media, non-government organizations, and advocacy groups.

This interpretation of corporate social responsibility and this evolved view of the purpose of the firm stand in stark contrast with the position taken by Milton Friedman in his classic New York Times article of 1970. Much has been written since then attempting to paper over the differences: that "doing well by doing good" satisfies both camps. More recently Porter and Kramer (2006) have argued that a firm's social responsibility initiatives must be aligned with its overall strategic direction to be truly effective, that is, profitable. These attempts at reconciliation, however, miss the point. Profit maximization, which results in the elevation of shareholders' interests and the subjugation of all other stakeholders to some secondary

status, can no longer be the only guiding principle of the firm because that is no longer acceptable to the global society in which firms operate.

Certainly, there are plenty of examples where "doing good" does indeed lead to "doing well." Companies have often discovered that by reducing their emission of pollutants or by recycling waste products they increase their profits while improving the environment at the same time. Or they may find that paying a living wage and offering adequate benefits will improve morale, reduce turnover, and increase productivity, thereby helping shareholders, employees, and their communities simultaneously.

These are happy and most welcome alignments, but corporate social responsibility, as properly understood, requires more. There are circumstances that call for a firm to look beyond profit maximization, go beyond mere compliance with existing laws and regulations, and pursue a course of action because it is "the right thing to do." James Burke, as CEO of Johnson & Johnson, set the standard when, faced with the deaths caused by a few bottles of cyanide-laced Tylenol, he directed his company to withdraw all Tylenol from retail shelves across the country – going well beyond the recommendation of the FDA. There certainly was no assurance that the decision would in the long-run result in increased profits, and the costs of the decision were enormous, but Burke and the company management believed it was the right thing to do. Similarly, when Merck could find no government or foundation to finance the development of Mectizan, the miraculous cure for river-blindness, Roy Vagelos and other executives decided that the company should itself bear the heavy development costs, and ultimately the distribution costs as well. There was no chance that through enhanced reputation and in some foreseeable time frame Merck could recoup those costs. It was simply the right thing to do; to have done nothing with a drug product that has brought such extraordinary benefit to the world's poorest peoples was inconceivable (Davidson, 2007).

In planning strategies for doing business with the "bottom of the pyramid" it is of the utmost importance that managers – especially managers of global enterprises where the reputation of corporate and brand names is so important – understand the true meaning of corporate social responsibility. Healthy, satisfactory profits are absolutely essential as is compliance with home and host country laws and regulations. But corporations today must also fulfill society's expectations that they behave ethically – which among other things means that they must not abuse the power which they hold in the marketplace vis-à-vis their customers – and when and where resources permit that they support the communities which are supporting them (see Carroll, 1991, p. 39).

ETHICAL CONCERNS

There are two over-riding questions to keep in mind in this exploration of specific ethical concerns. Is the fundamental relationship between buyers and sellers cooperative or is it adversarial? And to what extent must global corporations adjust their tactics and strategies, perfected in developed economies, to the special circumstances and conditions of developing countries? Nowhere are these questions more apparent or more important than in the search for a "fortune at the bottom of the pyramid."

Appropriate Products

All products are not created equal in ethical terms, especially when they are marketed to the BOP. Consider again Procter & Gamble's pursuit of growth and revenue by selling detergent in single-serve packages to low-income Mexican women. The utility of this product raises no ethical concerns. But what if P& G were to choose another of its diverse product categories, say Cover Girl cosmetics? Would we approve if the

firm were to devote its efforts to marketing eye-liner, or lipstick, or blush to these same women, remembering that the BOP, by definition, have less than $2 a day to spend on all their needs?

What about tobacco products, or alcoholic beverages? There are reasons galore to criticize the marketing of these problematic products in developed countries to middle- and upper-income consumers. But the ethical questions are multiplied and magnified when the target market is the BOP, and whatever amounts are spent by the poor on these products must necessarily reduce the funds available for essential goods: adequate food, clothing, and shelter.

On this matter the economist and the ethicist will be at odds. The former will argue that each consumer must determine for himself or herself how much utility is derived from each purchase and allot the limited funds accordingly. However, Karnani (2006), citing Efroymson and Ahmed (2001) tells the story of a rickshaw puller who spent twenty cents a day on tobacco, but when asked if his children ever eat eggs, responded with the question, "Where will the money come from?" In that economy the twenty cents could have been spent on an egg a day for each of his three undernourished children. Under these circumstances the ethicist will argue that while we must grant Hasan, the rickshaw puller, his free choice, it would be wrong for tobacco producers and marketers to encourage and promote such sales.

Karnani goes on to offer another example of a questionable product, Fair & Lovely, a skin cream marketed by Unilever for lightening the color of dark-skinned Indian women. The television commercials promoting the product were deemed "racist, discriminatory, and an affront to women's dignity," and were subsequently withdrawn by Unilever. The company clearly has a right to sell the product, according to Karnani, but to claim that this is helping to eradicate world poverty is "morally problematic."

Casas Bahia, the Brazilian appliance retailer, is often cited as a good example of a success story in marketing to the BOP. The firm expanded its business dramatically by selling its products on credit to millions of Brazil's poor who had no access to credit elsewhere. An argument can be made that it is a good thing for these BOP consumers to have the opportunity to purchase such utilitarian items as washing machines. To be liberated from the time-consuming and energy-draining drudgery of the traditional washboard is a readily acknowledged benefit. Do we feel the same, however, about saddling the poor with high interest debt so they can purchase consumer electronics from Sony and Toshiba – video game players, DVDs, boomboxes, and the like – which Casas Bahia also sells? All products are not created equal in ethical terms.

Fair Pricing

In theory, every transaction involves a negotiation between buyer and seller over the price of the product or service offered. The buyer enters the negotiation with a maximum price he or she is willing to pay, and the seller enters the negotiation with a minimum price he or she is willing to accept. Consider the way we buy real estate or automobiles or almost anything through online or off-line auctions as examples of this model. True enough, most of our purchases through traditional retail outlets do not involve outright negotiating over price, but the theory is still valid. The buyer can and often does refuse to buy a product if he or she feels the price is too high. This theory holds in developing economies with consumer/buyers at the BOP as well. The poor presumably have a maximum price they are willing or able to pay for an item, but it is the seller's – and more specifically the producer's – pricing decision that is in question here. Clearly, Procter & Gamble's sachet of detergent must be priced at or below what the BOP is willing to pay or there will be no

transaction and, in fact, no market for that product.

An ethical question arises, however, when P & G makes its pricing decision: giving proper account for the necessary retailer and other intermediary markups, should the company price its detergent at the maximum price to create and maintain a market or should it price the product a few pennies less? Here the economist and the ethicist cross swords once again, and we also have another skirmish in the unending battle between the followers of Milton Friedman and the proponents of CSR. The economist, as well as the Friedman followers, would argue for setting the price at the maximum to capture every last penny of the buyer's "surplus." But the ethicist and the CSR proponents would remind us that this is supposed to be a win-win situation and that eradicating poverty is as much a goal as making a profit. Is there an acceptable compromise under which the producer makes a satisfactory, if not maximal, profit and the BOP consumer has a few desperately needed pennies left from the transaction? On the other hand, if Procter & Gamble, Unilever, or any other multinational consumer goods company, in doing business with the BOP, wrung every possible cent out of each transaction, how would this be perceived by the host country and, indeed, by the entire global society?

Consider also the microfinance business. In emphasizing the viability of this "industry" Chu (2007) tells us enthusiastically that the return on equity (ROE) for banks making these loans to the poor often exceeds the ROE of banks with more traditional loan portfolios. Indeed, Financiera Compartamos in Mexico and BancoSol in Bolivia, two of the largest Latin American banks in the microfinance business, achieved average ROEs of 52.2% and 26.3% over the three-year period 2002-04. One might well ask if the price of these loans to the poor, the interest rate that the borrower paid, could not have been reduced since they were so extraordinarily profitable to the lenders.

Advertising and Promotion

Under this category there are at least three ethical concerns to be noted. 1) *Honesty in advertising:* To misrepresent products and services is wrong regardless of the setting or target market: developed or developing markets, rich or poor consumers. The critical question is not whether the advertising in question contains falsehoods but how much of the truth it tells. How explicit does the producer and/or seller need to be about the characteristics or potential dangers associated with the product?

This concern takes on special importance when advertising to the BOP. Those who make up this population are not only poor in income; most are poor in terms of education as well, and they lack experience in evaluating advertising claims that are so much a part of the developed commercial world. Under these circumstances, the puffery that is acceptable in developed markets may well be unethical if used in advertising to the BOP.

2) *Sales promotion tactics:* The use of contests, coupons, rebates, sweepstakes, prizes, and the like are common in the marketing of consumer goods in developed markets, and marketing textbooks assure us that such tactics add value to the product and offer an extra incentive to the buyer. Of course, they add a cost to the product as well that must be recouped by the seller at some point. One of the enduring criticisms of marketing in general – advertising, selling, and all other forms of promotion – is that all of these marketing costs are wasteful and that in spite of the textbook authors, they add little or no value to the products offered. Generally, the rightness or wrongness of these additional costs is overlooked in marketing to the upper levels of the income pyramid, but the question cannot be ignored with the BOP.

3) *Marketing creates demand:* Another enduring criticism of marketing is that it stimulates demand by creating unnecessary wants and needs. There is a well-developed debate on this point by psychologists and other social scientists: can marketers really "create" demand or are they just bringing to the surface a latent demand that already exists? This criticism and debate is important but perhaps not critical in developed markets. In developing countries, however, if marketers use advertising and other promotional tactics to influence BOP consumers to shift their expenditures from essential to non-essential products, the consequences would be dire indeed and without question be damaging to the poor. Such tactics might fatten the firms' economic bottom lines and undoubtedly would pass legal scrutiny. They would not, however, pass ethical scrutiny and would ultimately lead to charges of exploitation.

Distribution Concerns

As multinational firms ratchet up their efforts to reach the BOP, they sometimes create new channels of distribution in the process. Sometimes this will lead to unquestioned benefits for the poor. Project Shakti, the name given to Hindustan Lever's innovative channel of distribution, in which poor, rural Indian women are trained to distribute and sell consumer goods products to hard to reach villages, an adaptation of the age-old traveling salesman, allows villagers to have access to needed products that would otherwise be totally unavailable. Sometimes, however, the changes can have mixed results, helping one segment of the poor while hurting others. Procter & Gamble's tienditas may indeed bring products to the poor at lower prices, but they displace the previously existing small retail outlets, the street vendors, and the multiple intermediary levels so common in developing countries (Byron, 2007). This does indeed raise questions of fairness.

Branding

Prahalad and others tell us that the BOP often express a preference for branded goods. At first blush, this seems counter-intuitive; branded items are usually more expensive than their generic competitors, and we might expect those consumers forced to live on less than $2 a day to always choose the least expensive alternative. The explanation given is that the BOP are the least able to afford a mistake in their purchasing decisions and, therefore, will often choose a branded item whose reputation and quality are known.

This poses an ethical issue for consumer goods producers. Brands become widely recognized and preferred only through the expensive process of advertising and other forms of promotion, and this expense, of course, is passed along to the consumer in the higher price of the item. We also know that branded items are often identical, in functional terms, to their unbranded, generic counterparts. Then the critical question is: does the brand impart real value to its buyer? In developed countries and economies we assure ourselves that the psychological value imparted by the brand name justifies the higher price, even if there is no additional functional value. This explanation is less persuasive when applied to the BOP.

Packaging

It is now commonly understood that the BOP, with such limited resources, cannot afford to have an "inventory" of anything; they buy only what they need to use or consume immediately and then buy more when they need more. Thus, many of the success stories we have from Procter & Gamble or Unilever are based on packaging the goods in single-serve quantities, often referred to as sachets. Karnani (2006) tells us that the paanwallas, the small kiosks of India often sell cigarettes individually, rather than in packs, to

increase consumption, and that in Malaysia cheap liquor is sold in bottles not much bigger than a quarter of a pint. No large, economy-size packages for this market. However, according to Byron (2007), the single-serve packages of Procter & Gamble's detergent may cost twice as much on a per-ounce basis as larger packages of the same item. To what extent, then, are we eradicating poverty around the globe if the truly poor must pay this premium? Are the poor misled into thinking that the smaller packages, while more affordable, are really cheaper, when in fact they are paying more on a per unit basis? In developing countries there are not the same requirements to display per-unit pricing on the kiosk shelves as is required in U.S. supermarkets. Prahalad also recognizes that single-serve packaging creates significantly greater environmental problems in the accumulation of non-biodegradable waste.

Repatriation of the "Fortune"

When Procter & Gamble sells a sachet of detergent or an individual disposable diaper to a BOP consumer in Mexico or India, what happens to the profit P & G derives from the sale? If it is immediately repatriated to Cincinnati, little has been done to raise the income level of the BOP and "eradicate world poverty." The poor consumer has simply substituted buying the detergent or the diaper for rice or beans or some other essential product. To what extent is the seller willing to reinvest those profits in the BOP community?

Leonard (2007, pp. 370-72) provides a checklist of the kinds of products that are most beneficial to the BOP and where the net effect of the transaction will be the greatest. He points out that a multinational firm's product (e.g., the detergent or the diaper) quite likely will have been made outside of the community and perhaps even outside of the country. In this instance, the net effect of the transaction may well be negative on the BOP since it substitutes a "foreign" made product for a locally made one. Products offering the most hope for raising the income level of the community are those which include some local element in the production or distribution, those which in some way expand business opportunities and improve the wage-earning opportunities of local workers.

Leonard cites Hindustan Lever's Project Shakti as an example. Although the products sold are consumer goods made elsewhere (a slight negative effect on the income level of the community), Lever created and trained women entrepreneurs to serve as small-scale distributors who could reach the heretofore unserved markets throughout much of India. The income derived from the distribution services provided by the women, the skills that they learned, and the accompanying psychological benefits all served to create a net benefit for the communities.

The BOP as a "Vulnerable" Market

The vulnerability of the BOP consumers is the most difficult issue of all the ethical concerns and has already been suggested in many of the preceding paragraphs. Traditionally, children have been recognized as a vulnerable market because of their limited capacity to make rational buying decisions, but in certain situations senior citizens, women, and minorities have been viewed as vulnerable. Do consumers at the bottom of the pyramid constitute a vulnerable market because of their (usually) limited education and lack of experience in evaluating marketing claims? If so, do producers and marketers have some special obligations in choosing their marketing tactics? How should firms strike a balance between respecting the dignity and rights of the dreadfully poor to make their own decisions as consumers while at the same time acknowledging their limitations?

Who should make these consumer purchasing decisions? For example: Tobacco products vs. eggs or other nourishing food for children, a boom-box vs. a month's education for a child, washing machines vs. video game players, and skin-whitening cream vs. shoes. Surely, it would be patronizing, demeaning, and just plain wrong to suppose that the BOP consumers cannot or should not make these decisions for themselves. Yet it is equally wrong for producers and marketers to exploit the BOP, to take advantage of their lack of education and sophistication. Karnani (2006) tells us, "…the poor lack self-control, yield to temptation, and spend to keep up with their neighbors. In this they are no different than people with more money, but the consequences of bad choices are more severe for the poor." The blandishments, the hype, the marketing tactics that are acceptable in wealthier, developed markets are not appropriate in marketing to the BOP. The exercise of some restraint on the part of marketers in their transactions with the BOP is essential, but restraint is not a common characteristic of the marketing profession.

CASE STUDIES AND THE LESSONS TO BE LEARNED

Fortunately, there are some case studies from the business ethics and CSR course material that can help us analyze the ethical concerns identified above. These cases date from fifteen to twenty years ago, and so there has been adequate time to learn some lessons from them.

Nestle Infant Formula

For many years, the case involving Nestle's marketing of its infant formula to third world mothers stood as a common element in virtually all business ethics courses, and it still finds its way into textbooks on the subject. This is the case study that most closely fits our interest in and concerns for the BOP. In the late 1970s Nestle came under severe world-wide criticism for marketing its infant formula to poor mothers in developing countries who had neither the income nor the understanding to use the product properly. Nestle implied in its advertising that its infant formula was the modern, Western way to feed babies, liberally handing out free samples without first insuring that there that there would be an adequate supply of potable water to mix with the powder. Mothers were not warned that after a few days' use of the formula their own milk, containing essential antigens, would dry up, nor were those mothers sophisticated enough to consider whether they could afford to buy the product for an extended period after the free samples were exhausted. Saleswomen were dressed in nurses' uniforms to add an aura of medical professionalism to the marketing effort.

Critics railed against the company publishing slogans such as "Nestle Kills Babies." Legislative bodies in developing and developed countries, including the U.S. Congress and the United Nations, considered what action to take. Eventually, after some years, Nestle and the other infant formula makers agreed to a code of conduct ruling out the most egregious of the marketing tactics. The lesson to be learned: When doing business in developing countries, and especially when targeting the poor, multinational firms have an obligation to use marketing tactics appropriate to those countries and those markets. Tactics that pass the tests of ethical scrutiny in developed countries cannot simply be translated for use in the BOP markets.

Reynolds Tobacco's Uptown Cigarette

In 1989 Reynolds Tobacco, maker of Camel, Winston, and Salem brands, learned from its marketing research that the preference for menthol-flavored cigarettes was greater among African-Americans than among white smokers in the United States. To acknowledge this preference Reynolds designed and

produced a brand which it named Uptown. It had a heavy menthol flavor, the color and graphics of the package were chosen based on information gained from African-American focus groups, and the style of the package was changed to conform to the way blacks opened the packages. Philadelphia, with its heavy African-American population, was selected as the site for the test market. Black models were chosen for the advertising of Uptown, and the placement of billboards was concentrated in black neighborhoods. In short, it was a textbook-perfect marketing plan for the launch of a new product.

Black smokers liked the new cigarette, and Uptown met with considerable success in the marketplace, but the test market generated a firestorm of criticism from other elements of society. Church, civic, and political leaders, both blacks and whites, complained that it was immoral to target African-Americans, known for having more serious health problems than other ethnic groups, with a product which causes any number of lung, heart, and other health problems and which contributes to more than 400,000 deaths a year in the United States. The critics demanded that Reynolds cancel the Uptown test.

Reynolds initially responded that blacks had the same rights as any other group to decide which products to buy, including even those that might be damaging to their health. The company also pointed out that it would be patronizing for the company, the government, or any other group in society to make that decision for them. But the criticism continued with letters to the editors of the Philadelphia newspapers and sermons from the pulpits of black churches. Finally, Reynolds gave in and ended the test market when it concluded that the Uptown brand, however successful with its target market, was not worth the negative public relations from the surrounding society.

The lessons to be learned: While the Reynolds Tobacco experience is not directly related to poor consumers, and certainly not to the BOP, nevertheless this case has important implications. First, marketers must please more than just their customers. There are other stakeholders who can have an effect on the company's operations and who must be considered. Even though both buyer and seller may be satisfied with the results of a transaction – whether it be the purchase of Uptown cigarettes in Philadelphia or the purchase of Fair and Lovely skin-whitening cream in Mumbai – elements of the encompassing civil society such as the media and various advocacy groups may raise the charge of unethical behavior. Second, emotion may trump reason. The rational argument defending the rights of blacks and their free choice in the marketplace got nowhere against the picture of a major corporation targeting a vulnerable segment of the market with a product as harmful as cigarettes. Third, it is the perception of justice and fairness that is all important, the situation as understood by the surrounding society. When multinational firms target the bottom of the pyramid as a profit-making strategy, it may be perceived as exploitation by some NGOs or even by the host government. All three of these lessons are applicable and important in doing business with the BOP.

CONCLUSION: CSR MEETS BOP

In *The Fortune at the Bottom of the Pyramid* Prahalad goes to great lengths to de-link doing business with the bottom of the pyramid consumers from any notion of corporate social responsibility. Understandably, he wants to make "the business case" for his vision of eradicating world poverty: that there are indeed profits to be made – the "fortune" – by the multinational corporations that engage the BOP in honest-to-goodness, straight-out, buyer-seller commercial transactions. He reasons that the only way to capture the real and ongoing interest of hard-headed corporate executives is to talk their language of profits

and returns to shareholders, not the soft, mushy stuff of social responsibility. At best, Prahalad is only half-right. There may be the opportunity here – if we ignore the problems raised by Karnani about the true size of the market and other criticisms – to enter new, profitable markets. But he is wrong in confusing corporate social responsibility with charity. It is charity that Prahalad wants to erase from the picture: to establish engaging with the BOP as a mainstream business activity, not as some peripheral function to be taken up when profits allow and dropped when they do not.

Corporate social responsibility, on the other hand, is quite a different matter as explained above. In fact, engagement with the BOP can be successful only if the core elements of CSR are understood and incorporated into the BOP strategy from the outset. Satisfactory profits are essential, and the financial interest of shareholders can never be forgotten or neglected, but there are other stakeholders who must be considered as well. Indeed, engaging with the BOP creates an especially sensitive and complex stakeholder map. The BOP, by definition, are not "ordinary" consumers, and therefore, a firm's responsibilities to them are in no way ordinary. We have explored a lengthy list of ethical concerns unique to the BOP, and there will be new groups and potential corporate critics who will monitor the firm's success or lack of success in finding a proper course through the turbulence of potential criticism. Home and host country governments, NGOs both local and global, new public media, new supplier networks, new distribution networks all must be shaped and formed into new stakeholder relationships and responsibilities that are quite different from the firm's previous operations.

Ethical concerns, challenges, and problems are an integral part of every business endeavor, because at the core of all business activity there is the fundamental and natural tension between buyer and seller. Regardless of country, culture, income level, market served, product or service category, high-tech or low-tech: this tension is there, raising ethical questions which must be addressed. As has been emphasized above, engaging in business with the world's poorest consumers toward the goal of eradicating global poverty creates its own unique set of ethical problems. Especially for large, multinational firms there is always the threat that such engagement – not as charity but as a profit-making enterprise – will be perceived as exploitation and manipulation of unsophisticated and poorly educated consumers.

To avoid this perception requires an understanding of the role of the firm, not simply as a profit-generating organization, but as an essential part of a larger society. It requires an awareness of the firm's responsibilities to its shareholders, but also to a multitude of other stakeholders. It requires that the firm be a good global citizen, and good citizenship demands that the firm fulfill not only its economic responsibilities but its ethical and social responsibilities as well. In short, the firm must integrate all the principles of CSR along with its business planning for the BOP if it is to be truly successful.

The Goldilocks Principle

It is no easy task, however, to find the proper blend of economic and social responsibility that will be acceptable to the broad society in which multinational firms operate. They must somehow balance their responsibilities to multiple stakeholders; they must temper their natural drive to maximize profits and yet achieve satisfactory profits to maintain the economic health viability of the firm in a highly competitive environment. But where are they to find this proper balance, this middle road? Here is where we might borrow from the famous children's fairy tale, Goldilocks and the Three Bears. Just as Goldilocks was searching for a bed that was not too hard and not too soft, for porridge that was not too hot and not too cold,

so also are we searching for just the right amount of social responsibility to mix with the firm's economic goals. Too little attention to CSR, and the firm, like Nestle and Reynolds, will be perceived as exploitative and manipulative. Too much attention to CSR, and the firm's efforts will be confused with charity, to be increased when resources permit or perhaps eliminated entirely when resources are constricted.

For most global corporations doing business with the world's most impoverished citizens is new and uncharted territory. As Prahalad advises, multinational firms should be encouraged to test these new markets. But it is only by embracing the concepts of corporate social responsibility, not rejecting or marginalizing them that these business firms have any chance of finding the fortune at the bottom of the pyramid and that significant steps can be taken toward a meaningful reduction in world poverty.

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NOTES

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