# In Conversation with People at the 'Base of the Pyramid': How MNCs Influence the Capability Development of Local Inhabitants and the Social Capital of Poor Communities

Exploring the Impact of a Multinational Corporation on a Rural Vietnamese Community

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Joost Boer, *June 2013*

Businessmen, they drink my wine, plowmen dig my earth.
None of them along the line, know what any of it is worth.

- **Bob Dylan**, All Along the Watchtower (1967)

## ABSTRACT

Recent studies in business have focussed attention on the role multinational corporations (MNCs) can play in poverty eradication. Whether it stems from a moral plead, an interest in untapped business opportunities or both, MNCs increasingly conduct business in what are since 1998 dubbed 'Base' or 'Bottom of the Pyramid' (BoP) markets. While scholars have since the inception of the BoP literature field addressed both BoP venture successes and failures, this thesis lays some groundwork for reshaping our notions and measures of what actually constitutes a successful social BoP venture in general and its influence on capacity development and social capital specifically. By employing insights from economist Amartya Sen's 'Capabilities Approach' and scholarship on social capital, the current research seeks to take a people- and community-centric approach in determining the social value of BoP enterprises. These insights are applied on the in-depth case study of a textile factory – set up by a Japanese MNC in collaboration with a local church in 2010 – embedded in a rural community in central Vietnam, employing around 90 local women. From this case study I attempt to show that first, people's capabilities can be developed in BoP communities by rather pragmatic measures based on 'local needs,' and second, that a community's social capital can remain rather unaffected by the presence of a MNC, and that this presence may be strongly desired as it could contribute to ensuring the community's survival. Yet, MNCs need to remain wary of the possible harmful impact their operations could have on local communities.

*Keywords:* Base of the Pyramid, Bottom of the Pyramid, capability development, corporate social responsibility, poverty alleviation, rural communities, social capital, Vietnam, MNC

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# 1 INTRODUCTION

How can firms shape their strategy and decision making in a way which is sustainable, responsible and aligned with people's lives? While already of great importance to firms aiming their efforts at people living in developed countries, this question becomes truly interesting when asked with regards to people living in poverty in developing countries, due to their particularly vulnerable position. The current research applies the developmental and sociological concepts of 'capability development' and 'social capital' on a business venture initiated in a poor rural community in Vietnam. Thereby, it hopes to contribute to the growing body of business literature concerned with responsible ways of conducting business.

## 1.1 Making Business a Part of the Solution to Poverty Eradication

Dealing with poverty – alongside societal challenges as hunger, disease, social injustice and climate change – has been traditionally considered the responsibility of local governments, intra-governmental bodies and non-governmental organizations (NGOs). Now, a broadening of this responsibility seems to be desired, as social scholars increasingly suggest that multinational corporations (MNCs) should have a stake in providing solutions to these problems (Margolis & Walsh, 2003). This idea could be said to be born on the one hand out of moral considerations, as corporate activities can be seen as at least partly responsible for a number of these problems. On the other hand, this idea seems to stem from the desire to tap into business opportunities. These opportunities could be illustrated by the notion of 'doing well by doing good,' meaning that the act of pursuing social corporate citizenship can actually benefit a firm's bottom line. As many of the world's developing countries are enjoying enormous increases in economic welfare, mostly evident in their surging GDP rates and the arising of a vastly expanding middle class, the business opportunities of these nations could potentially offer significant future revenue streams to MNCs (Prahalad, 2002). With MNCs tapping into these opportunities, a contribution could in turn be made to the social welfare of the inhabitants of these countries (London & Hart, 2004).

Within the business literature, the school of thought dealing with this application of market logic in impoverished societies has come to be known as 'Bottom of the Pyramid' (BoP), a term coined by the late Coimbatore Prahalad, Professor of Corporate Strategy, and Stuart Hart, Professor of Sustainable Global Enterprise and Strategic Management, in 1998. The concept was expanded

into an empirically-backed proposition in the early 2000s, and popularized especially by Prahalad (e.g. 2002, 2004). In a nutshell, the BoP proposition states that there is a strong business case – in Prahalad's words 'the fortune' – linked with the pursuit of the largely untapped purchasing power at the bottom of the world's economic pyramid, the 4 billion[1] people in the world living on less than $2[2] per day. By viewing people in the developing world not as 'victims' in need of help, but rather as 'value-conscious consumers' and 'resourceful entrepreneurs,' the BoP proposition states that MNCs can make significant profits and simultaneously help to eradicate poverty by selling products to the poor and offering them (financial) services. Prahalad (2002, 2004) estimates that the accumulated annual buying power of these poor tallies $13 trillion.

In Prahalad's (2004) seminal book about his research on the BoP, *The fortune at the Bottom of the Pyramid: Eradicating poverty through profits,* he describes nine cases of enterprises offering products and services in impoverished regions all over the world. The described ventures deal with an array of different social needs, ranging from basic hygiene issues, to severe disabilities and to those needs which go beyond one's 'basic necessities'[3]: luxury products from firms such as Sony and JVC. Hindustan Lever Limited (HLL, the Indian subsidiary of Unilever), for instance, responded to the need of basic hygiene issues. Its two-rupee hand soap (equivalent to the price of four cups of tea) 'Lifebuoy' – introduced in India as early as 1895 but greatly popularized through a public-private initiative in which, among others, the World Bank and UNICEF collaborated with HLL – decreased the presence of diarrhea in India[4]. This collaboration rejuvenated the product in 2002 through a broad marketing campaign, with by the end of 2004 70 million people being educated on the health benefits of using hand soap (according to Unilever's own accounts). Around that point, HLL accounted for 60% of all soap sales in India (Murch & Reeder, 2003).

Since Prahalad's reframing of the BoP as a socioeconomic demographic in need of help to an untapped business opportunity, case examples similar to his followed in the business literature

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[1] Prahalad (e.g. 2002, 2004) states that there are more than 4 billion people living on less than $2 per day. Worldbank (2008) estimates put this number, more conservatively, at 2.6 billion.

[2] Others though, opt for $2.5 or a $3 threshold (Gobal Issues, 2010) or even a $5 threshold (Kasturi Rangan, Chu & Petkoski, 2011). However, setting a 'poverty line' in this manner has been critiqued on a number of grounds (Seccombe, 2000). Its arbitrary nature is one of them, not allowing for differences in cost of living in different world regions. Also, the poverty line comprises a one-dimensional method for measuring poverty.

[3] Prahalad and Hammond (2002: 50) suggest that firms wrongfully assume that the poor only spend their income on food and shelter, while 'in fact, the poor often do buy "luxury" items' and hence, have a need for them.

[4] Diarrhea is the second leading cause of death in children under five years old, killing approximately 1.5 million children every year (World Health Organization, 2009). In total, around 2.2 million people a year die because of diarrhea. By hand washing with soap and water, diarrheal diseases can be be decreased by 48% (Murch & Reeder, 2003).

(see for overviews and examples of these cases Anderson & Billou, 2007; Munir, Ansari & Gregg, 2010; Schuster & Holtbrügge, 2012). Within the literature, the BoP proposition has been applauded as being an innovative and workable solution to battling global poverty (e.g. Anderson & Billou, 2007; Anderson, Kupp & Vandermerwe, 2010; London & Hart, 2004), while others have questioned its underlying key assumptions (e.g. Karnani, 2007a; Davidson, 2009), or have re-shaped the BoP proposition into one where the poor take on primarily the role of '(co-)producers/creators' or 'employees,' rather than 'consumers' (e.g. Simanis & Hart, 2008b).

### 1.2 Perceiving the BoP from a Human- and Community-Centric Perspective

Regardless of whether one opposes or rejects the BoP proposition, the conception that understanding the lives of the poor is a necessity for creating fruitful BoP ventures is increasing in strength (Banerjee & Duflo, 2007; Ansari, Munir & Gregg, 2012). A starting point in developing an understanding in these lives could be to include insights from developmental and sociological theory and research regarding Amartya Sen's 'Capability Approach' and 'social capital' in the BoP proposition.[5]

The 'Capability Approach'[6] was introduced by the economist and Nobel Prize laureate Amartya Sen in the late 1970s, who weaved the concept through his extensive body of work on poverty (e.g. 1983, 1992). The approach has been adopted and extended by other scholars, such as the political philosopher Martha Nussbaum (e.g. 2011). The Capabilities Approach measures wealth among people not only in traditional economic indicators such as Gross Domestic Product (GDP) per capita[7], but rather focusses on what people are (cap)able to do and be, or what comprises their 'substantial freedoms' – a set of opportunities to choose and act. The approach forms an alternative to conventional development theories, helping to understand what sustainable poverty alleviation in BoP contexts comprises. A useful extension to this approach can be the theory of social capital – 'the ability of actors to secure benefits by virtue of memberships in social networks or other social

[5] Countering what is described by business scholars Schuster and Holtbrügge (2012: 818) as a 'predominantly economic and financial' take on the BoP, business and development scholar Crabtree (2007) proposes to extent the BoP proposition with developmental theory on 'capabilities' in the BoP proposition. Business scholars Ansari, Munir and Gregg (2012) suggest to merge insights on both 'capabilities' and 'social capital' to advance the BoP proposition.

[6] Nussbaum (e.g. 2011) refers to the concept as the 'Capabili*ties* Approach,' due to people's possession of multiple capabilities. This research adopts Nussbaum's plural terminology.

[7] Dividing the market value of all officially recognized goods and services produced within a country through the number of people in that country leads to the GDP per capita. As this constitutes an average number, it may elude significant welfare inequalities (Nussbaum, 2011).

structures' (Portes, 1998: 6). Through including the social capital concept in the BoP proposition, impoverished people can be seen against the backdrop of their community[8], which consists of their network of family, kin, friends, and neighbors (Narayan, Chambers, Shah & Petesch, 2000). Considering the tight-knit and collectivistic nature of these communities, alongside the notion that social capital is necessary for community development and could form a connection to external resources, this inclusion of theory on social capital is deemed important (Ansari et al. 2012).

Both the Capabilities Approach and social capital theories are at the same time tools that provide approaches to reshape business' perspective on the BoP towards both an individual human- , as well as a community-centric perspective. The current study then, is interested in how MNCs can and do influence these individual human's capabilities, and how they can and do influence the social capital of poor communities – with these MNCs, for instance, selling products and services, or offering employment opportunities. Business scholars Ansari et al. (2012) argue that any BoP venture ought to be evaluated on whether it advances capability development and retains and leverages social capital, among the arguments being that MNC interference could impose harm on the social capital of poor communities, and that it is through the development of capabilities that people can lift themselves out of poverty. The ambition of this research is therefore to contribute to the understanding of how firms can shape their strategy and decision making in a way which is sustainable, responsible and aligned with the lives of the people at the BoP, leading to better future prospects for them – while the firm remains economically viable. To fulfill this ambition, I pose the following two research questions as this study's point of departure:

*(1) How can MNC intervention influence the capability development of impoverished individuals?*

*(2) How can MNC intervention influence the social capital of poor communities?*

In order to answer these research questions, this study bases itself directly on opinions and perspectives from the local poor and poor communities that are confronted with a certain presence and influence from an MNC – 'MNC's intervention.' By entering into a direct dialogue with these poor, meaningful insights into their lives and into how they live within their communities can be gained. Perceiving these insights through the lenses of the Capabilities Approach and social capital

[8] A community is defined in this research at the level of one village, or a small cluster of villages, or an urban neighborhood. It constitutes a social network of individuals, concentrated in a bounded territory (O'Rourke, 2003).

can henceforth help to answer the two research questions. Through this particular course of study, this research follows up in part on a concluding thought from development scholars Arora and Romijn (2011: 498)[9]:

> Perhaps the way forward lies in detailed study of (the constitution of) everyday practices in social lives of the poor, attempting to understand how they resist, collaborate with, or show indifference toward new global capitalist institutions[10] ushered in through BoP ventures, while simultaneously being embedded in alternate logics of doings and sayings fostered in localized cultures of difference and entanglement.

These authors argue thus that this 'way forward' (i.e. advancing the BoP discourse) relies on building theory from case studies centered around BoP ventures. Hence, the current research will be detailing how the poor are affected by the 'new global capitalist institutions' (i.e. the MNCs) which initiate these BoP ventures. I focus my empirical efforts on the case of a local-foreign collaborative business initiative, which has created employment opportunities in a textile factory for women in a rural community, located in Vietnam.

This case befits the purpose of my research for the following reasons. First, the foreign partner in this initiative is an MNC which envisions to contribute to the social welfare of impoverished communities. Second, this MNC collaborates with a local partner – a church – which has led the venture to be embedded within the community. And third, Vietnam is a country in transition; from being politically isolated and strongly impoverished, the country has over the past years been in the process of rapidly blending into the world economy. By implication, many of Vietnam's inhabitants have directly experienced this transition, and could as such be able to evaluate the effects of this on their own lives and communities. Besides these reasons, this case is particularly interesting because of the feminine aspect. As women in developing contexts are often marginalized (Mair, Martí & Ventrescam, 2012; Nussbaum, 2011), it is useful to evaluate to what extent foreign-led business ventures can contribute to these women's capability development.

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[9] Arora and Romijn's (2011) article *The empty rhetoric of poverty reduction at the Base of the Pyramid* exposes several severe tensions in the current BoP literature, as seen from a political-economic perspective. The authors suggest that by understanding the 'messy complexities of everyday life' in BoP contexts, case studies can have a 'transformative and theory-building potential' (Arora & Romijn, 2011: 498). These case studies could thus serve to remedy some of the tensions, as described by these authors, in the BoP discourse.

[10] This choice of terminology exemplifies an important difference between business scholarship and development scholarship. Often expressing strong concerns about neoliberalism – economic liberations which enhance the role of the private sector in society – and globalization, development scholars are in general more skeptical towards the role MNCs ('global capitalist institutions') can and should play in poverty eradication, than many business scholars are.

### 1.3 Why This Research?

Based on my study of the BoP literature, and echoing thoughts by Munir et al. (2010), little thorough attempts have been made to gain truly meaningful insights into the lives of the poor: 'the choices they face, the constraints they grapple with, and the challenges they meet' (Banerjee & Duflo, 2007: 141). Yet, as already has been emphasized for some time in business scholarship: 'giving a "voice" to the poor is a central aspect of the development process' (Karnani, 2007a: 108). This lack of listening to the voices of those people who are impacted by business ventures from MNCs, might explain why many of the BoP initiatives as described in the literature seem to either not live up to their potential, or are pre-maturely terminated by the firm, or miss the initial intention of bringing any societal benefits to the people targeted, which could be interpreted as framing the BoP as merely an untapped business opportunity (see Chapter 2 for illustrative examples).

Previous BoP scholarship is often build around defining ways of how firms could tap into BoP markets in a lucrative manner (ideally through fast profits). For instance, Landrum (2007) notes that Prahalad challenges firms to be innovative and find ways to profitably serve markets and communities at the BoP. This implies that 'MNCs can determine what people at the BoP want'; all they have to do is discover a 'profitable way of providing it' (Landrum, 2007: 7). Yet, following on London and Hart's research (2004) and its natural evolution into the *Base[11] of the Pyramid Protocol* (Simanis & Hart, 2008b), I argue that if a firm is to succeed in a BoP environment in the long-run, it cannot do so without having an understanding in this environment's characteristics and needs first. In other words, the people, not merely profits, should be the starting point in BoP ventures. When a firm flips these priorities around and reduces the BoP to a mere untapped business opportunity, the results could turn out meagre at best, and disastrous at worst, for both the business and the local people involved (Munir et al. 2010; Ansari et al. 2012). From this I infer that both people living at the BoP *and* business could benefit from a deepened, more human-based understanding of the Base of the Pyramid.

[11] Here one can see the subtle yet important change of the letter 'B' in the abbreviation from 'Bottom' to 'Base.' 'Bottom,' according to the Oxford dictionary is the underside, the lowest point or part, whereas 'base' is seen as an entity or structure on which something else depends, like a fundament. This meaning conveys a more positive association. Choice of words and metaphors is important as language can co-constitute world views, strongly affect behavior, influence judgment about others and influence beliefs about what the appropriate behaviors are in a given situation (Landrum, 2007).

## 1.4 Research Objectives

The reasons given for *why this research* is relevant can be aligned with the research objectives, which will be discerned among academic, managerial and societal impact objectives. First, in terms of academic contribution, this research attempts to provide new theoretical insights as it evaluates a BoP venture from a community- rather than only a corporate- or financial and economic perspective (Ansari et al. 2012; Schuster & Holtbrügge, 2012). With such 'on-the-ground' empirical evaluations of BoP ventures being scant (Munir et al., 2010), research of this nature is thus timely and relevant for the BoP discourse, filling a gap in the literature.

Second, the theory this study generates could help practitioners to conduct business – especially related to providing employment opportunities – with the people from the BoP in a more effective, insightful and sustainable way. Taking into consideration that the socioeconomic demographic discussed here comprises over two billion people, would make it from a business-perspective unwise not to explore or consider the possibilities this demographic has to offer. However, if a firm is to include the BoP in its business model in an effective and sustainable fashion, it cannot do so without adopting a long-term, societal, people-centered perspective (Porter & Kramer, 2006).

Finally, the societal impact objective comprises 'giving a voice' to the poor, something which does not happen with great frequency.[12] Yet, giving a voice to those people who normally remain unheard can stimulate the process of their personal or community development, as it can directly illuminate their needs and views on this intended 'development.'

## 1.5 Research Design

Where little previous research is available and no precise outcome is predicted, qualitative case study research is one of the most desirable research methods (Yin, 2002). Ansari et al. (2012) argue that as an academic field, the BoP discourse is still in a pre-mature stage of development (and this especially holds true for BoP literature which engages with theories on capability development and social capital). As such, there remains a lot of ambiguity concerning key research questions, appropriate methodologies, data to be used and theoretical frameworks for analyzing BoP initiatives

[12] That the poor are indeed rarely heard led the World Bank to collect around the new millennium the voices of more than 60,000 poor women and men from 60 countries, in an effort to understand poverty from the perspective of the poor themselves. Development scholars Narayan, Chambers, Shah and Petesch (2000) bundled these perspectives in *Voices of the poor: Crying out for change*, which was followed by another two extensive volumes.

and their impacts on profits and community welfare (Anand, Hunter & Smith, 2005). In addition, the research premise of this study stems from the desire to understand complex social phenomena and how these impact strategies of relevant MNCs in particular and business in general, without predicting any precise outcome, and wants to study these phenomena in their real-life context. Hence, I chose to employ the case study as my central research method. Hereunder, an overview of this study's research design is provided; I base herein a considerable amount of my reasoning on the work of case study expert Yin (2002).

As this research is exploratory in nature, this study's theoretical background has not been constructed to provide answers to the research questions, but rather the multi-disciplinary theory which it consists of serves as the context within which the research questions can be perceived. This theoretical context, coupled with the research questions, draws the boundaries within which the 'unit of analysis' is perceived and researched: the rural Vietnamese community in which an MNC employs local women in a textile factory. In collaboration with two local research assistants, I interviewed the women working at this factory, as well as their families and friends, community leaders and the factory's director, as to gain an understanding in how they perceive this project (and on a more general level, MNC intervention in their community) and how it affects their lives and community. Where possible, these interviews were held in the people's houses, providing an atmosphere which stimulates people to talk freely (Taylor & Bogdan, 1998). The research assistants are familiar with both the area and the issues involved and understand the lifestyle and cultural norms of the BoP informants.

Data in this case study is mainly collected by using semi-structured individual and multi-person interviews, augmented by ethnographic observations. While the use of interviews as a method of data collection is common practice in international business research (Daniels & Cannice, 2004), the use of ethnographic observations is not[13]. Ethnographic observations is a research method which observes the world (the study) from the point of view of the study subject(s), in the process recording observed behavior (Taylor & Bogdan, 1998). The method was pioneered in anthropology but has also become popular in social sciences, especially sociology. As one of the most important elements of this research consists of gaining insights in the perspectives

[13] Businesses themselves, however, have increasingly found ethnographic observations useful for understanding how people use products and services – this is evidenced by e.g. the recent Ethnographic Praxis in Industry (EPIC) conference. With focus groups failing to inform marketers about what people *actually* do, ethnography connects what people say to what they really do. Hence, marketeers and product developers increasingly value the systematic and holistic approach to real-life experience of ethnographic observations (Boddy, 2011).

of local people, ethnographic observations form a important enrichment to the data gathered from the interviews.

## 1.6 Research Outline

Following this first introductory chapter, the theoretical background of this study will be outlined in Chapter 2. By providing the contextual background to this study, as well as explaining the key concepts, the theoretical backbone of this study is formed. The third chapter of this research is the first section of this research's case study, wherein the case study context, research methods and a description of the unit of analysis are provided. Chapter 4 reports the findings obtained from the case study and is followed by Chapter 5, which discusses these findings and describes this study's limitations and offers avenues for future research. Chapter 6 answers the main research questions and embodies the conclusion of this research process.

# 2 THEORETICAL BACKGROUND: THE BOP, CAPABILITIES AND SOCIAL CAPITAL

This chapter outlines the theoretical background. First, the evolution of the BoP business literature will be described, revealing a gap in the literature with respect to empirically taking on a people- and community-perspective in BoP research. Second, by expanding on various aspects of the BoP – characteristics of poverty, a business-centric segmentation of the BoP by living standard and a Global Value Chain (GVC) perspective on the BoP as producers – the theoretical context is provided within one may gain a(n) (better) understanding in the people who play a leading role in the case study. Third, the Capabilities Approach and social capital are explained by engaging with literature in development and sociology. This chapter's final section contains concluding thoughts on this study's research contributions.

Please note that none of the theory described in this chapter is intended to be exhaustive; it rather serves as the theoretical foundation from which the findings of the case study ought to be seen. (Recommendations for more detailed analyses of several concepts of this theoretical background are provided at their respective paragraphs.)

## 2.1 The BoP Field in Motion

The BoP proposition has markedly evolved over the years. Early views mainly emphasized the poor in their role as underserved consumers whereas later perspectives shifted to perceiving the poor as potential producers and co-creators. The original BoP proposition states that MNCs can make significant profits and simultaneously help to eradicate poverty by selling products to the poor and offering them (financial) services (Prahalad, 2004). This proposition has been extensively criticized over the years (see Landrum, 2007, for an overview of these criticisms), so only those points of critique most relevant for this research need to be mentioned here (for BoP literature reviews of a more general, and a more expansive nature I recommend Kolk, Rivera-Santos & Rufín, 2013; Nghia, 2010, and Pitta, Guesala & Marshall, 2008).

First, scholars have argued that there is no 'fortune' at the BoP, with the claim being that the potential profits to be reaped from emerging economies has been greatly overstated. Calculating from average consumption and taking into account financial market exchange rates, Karnani (2007a) estimates that the BoP market size is less than $0.3 trillion, contrasting sharply with Prahalad's $13 trillion estimate. The same author also critiques many of the BoP projects Prahalad

describes, pointing out that they failed to be profitable for the company, were actually projects from non-profit organizations, or were aimed at people living on considerably more than $2 per day, sometimes as much as $16. Critiques such as these thus strongly doubt whether there indeed is an attractive business opportunity for MNCs who are selling products and services to the poorest of the poor, or at best argue that this business opportunity is only accessible for certain types of business (Karamchandani, Kubzansky & Lalwani, 2011).

Second, concerns were expressed about the fact that many MNCs often introduce non-essential consumer goods and services to BoP markets which bring no societal benefits, and might actually end up doing more harm than good (Karnani, 2007a; Davidson, 2009). In line with this, Karnani (2008: 49) argues that the BoP proposition 'views the poor primarily as consumers, as untapped purchasing power. In this view, providing increased consumption choices to the poor person will increase his welfare, assuming he is a rational consumer.' The problem with this line of reasoning is that it is highly doubtful that consumers in general, and especially little educated, often illiterate BoP consumers behave fully rationally, causing them to waste a part of their already meager income on products they do not really need (e.g. branded beauty products which substitute natural herbs and low-cost local products). This could hamper people's social welfare, instead of enhancing it (Karnani, 2008). Furthermore, the notion of doing 'more harm than good' in some cases might manifests itself quite literally. Crabtree (2007: 4), for instance, gives an example of a BoP venture which went 'radically wrong': the in Chapter 1 described HLL Lifebuoy soap found itself under severe scrutiny after it turned out that it contained Triclosan, a harmful substance which is outlawed for use in consumer products in many developed countries.

Following these and other criticisms, a part of the BoP business literature has evolved towards a perception of the BoP as 'producers' or 'members of the production chain' rather than 'consumers.' Coined 'BoP 2.0,' this alteration to the original BoP concept is facing considerably less opposition in the literature, as 'it attempts to replace the tenuous link between consumerism and poverty reduction with economic empowerment of the BoP through skill building, knowledge sharing, and active engagement with MNCs' (Munir et al., 2010: 258), with these MNCs ideally collaborating with local partners such as NGOs and governments (George, McGahan & Prabhu, 2012; Rivera-Santos & Rufin, 2010a, 2010b). London and Hart (2004) argue that the transfer of practical work-related skills and know-how to people at the BoP empowers them to produce more and henceforward consume more, which according to them could lead to poverty reduction. The BoP 2.0 approach has been further institutionalized in the *BoP Protocol* (Simanis & Hart, 2008b), a

***Box 1.*** Illustrative Examples of Tensions within BoP Business Models

**BoP 1.0 - The Case of Unilever's 'Fair & Lovely'**

A BoP product which arguably brought a disruption of social welfare is Unilever's 'Fair & Lovely' skin whitening cream. Fair & Lovely is marketed by Unilever in many African and Asian countries, and enjoys immense popularity in particularly India. This product is applauded by Hammond and Prahalad (2004: 36) as an innovative product adapted to the needs of the BoP, supposedly giving women a 'choice' and making them 'feel empowered.' Before women right groups and the government intervened, Fair & Lovely was accompanied by advertisements which displayed a depressed woman having trouble finding a job and husband who, after using the skin whitener and subsequently getting a considerably fairer skin, suddenly enjoyed much brighter future prospects. As Karnani puts it (2007c: 1354): 'this is not empowerment; at best, it is a mirage; at worst, it serves to entrench a woman's disempowerment.' Empowerment, he argues, would encompass making these women less poor, better educated and financially independent, instead of offering them a product which exploits a racial stereotype, which could lead according to Ansari et al. (2012) to disruptive effects to the social capital of BoP communities.

**BoP 2.0 - The Case of Hindustan Lever Limited's (Unilever) 'Skakti women'**

Simanis and Hart (2008a; 2009) illustrate a Hindustan Lever Limited project which turned Indian Shakti women into sales representatives, stimulating their independence and empowerment. As these women were being provided by HLL with single-use product servings (i.e. sachets), meant for selling within their communities and beyond, the authors take note of several missed benefits. If the women had been provided with bulk products which they could have repackaged onsite, the product cost to the customer could have been lower; the women could have contributed more value to the products, elevating their welfare; and there would have been the opportunity to find a sustainable alternative for the separate sachets and thereby not adding to the already vast mountain of rubbish invading India. This latter matter especially, displayed the importance of initiating environmentally sustainable business ventures (Hahn, 2009). The Shakti project however, does the opposite of building an environmentally sustainable business, and in addition, the project is said to turn the Shakti women into 'self-interested, short-term profit maximizing partners,' with turnover rates among them soaring up to 50% (Simanis & Hart, 2008a: 10). Therefore, it is hard to come to grips with how employment opportunities of this kind can lead to independence and empowerment among people and thus contribute to capability development.

**BoP 1.0 & 2.0 - The case of HP's 'e-Inclusion'**

HP's i-community project in rural South Africa and India combined principles from both BoP 1.0 and BoP 2.0. McFalls (2007) extensively evaluates the project as executed in South Africa, which saw HP providing as many as 4000 community members with basic computer training, with 96 of the members receiving recognized technical accreditation. These training sessions were the preliminary steps set in the intended grooming of these members into employment roles as computer repairmen and software developers. Further, the project tested a new product aimed at low income markets: the HP Multi-user 441 Desktop Solution. This product allowed four people to simultaneously work from one computer desktop system. Quickly, however, three issues arose displaying the promotion of private interest over the public good: lack of commitment towards the project when quick benefits were not yielded, the minimizing of both resources and time to the project as much as possible, and a refusal to actually share valuable knowledge due to concerns about intellectual property. Indeed, the project was fully terminated after three years, leaving the community members feeling exploited (McFalls, 2007). The i-community project may have attempted to empower people (and thus enhance their capabilities) and operated through establishing personal relationships by engaging the community (utilizing communal social capital), but HP's project execution failed (Ansari et al. 2012).

protocol for firms which favors a 'bottom-up' approach of *co-creating with* the poor over a 'top-down' approach of *selling to* the poor. The protocol is meant as a 'how-to guide' for corporations who are expanding into BoP markets.

While BoP 2.0 might be considered a fruitful development within the BoP discourse, it is also not free from criticisms, both from business- and development scholars. Among business scholars, Karnani (2007b) argues that many BoP 2.0 ventures in practice end up putting a large emphasis on microcredit and entrepreneurship, while these ventures seemingly lack to question whether or not the people these initiatives are aimed at are actually cut out to be entrepreneurs. On another note, sustainability and corporate responsibility scholar Hahn (2009) questions the ecological viability of BoP ventures, arguing that BoP development based on Western models is not reconcilable with the environment and the world's natural resources. Within the field of development, Arora and Romijn (2011) note that BoP 2.0 proponents seem to be unaware of important issues surrounding the identity of impoverished community's, such as gender biases and power inequalities, which can lead to the developmental efforts of BoP projects initiated by MNCs falling flat. Especially concerns in line with this latter point of critique has led some business scholarship (e.g. Ansari et al., 2012; Crabtree, 2007; Munir et al., 2010) to engage extensively with theory on development and sociology in BoP research, adhering to the broader call of perceiving business and society as interlinked entities (Porter & Kramer, 2007), and paving the way for this present research.

Some case examples illustrating several points of critique on both the BoP 1.0 and BoP 2.0 propositions as described above are displayed in Box 1. These case examples are not meant to discredit the BoP discourse. Every 'failed' example of a BoP project could perhaps be countered by a considerably more 'successful' one. However, these case examples serve to clarify how firms may elude the human- and community side of their BoP initiatives, and thus display some severe tensions within BoP business models.

### 2.2 Understanding Various Aspects of the BoP from a Theoretical Perspective

When examining the BoP business literature, one can observe that a characterization of poverty which goes beyond mere economic indicators is largely absent (Arora & Romijn, 2011). As corporations (should) build their business strategies upon the characteristics of those living in poverty, a description of poverty will now be provided which goes beyond a pure economic

definition of the concept. Hereafter, a business-centric approach segmenting the BoP by living standard is described, after which I zoom in on GVC theory segmenting the BoP in different roles of the value chain.

***2.2.1 Characterizing poverty.*** Throughout the years, poverty has seen marked changes both in intensity and in social acceptance. Prior to industrialization, poverty was seen as an inevitable byproduct of human civilization. Not even equally dividing *all* produced goods and services among a population was considered to be enough to ensure the good functioning of a society characterized by equality. After industrialization, this perception changed. The vast strides made in economic productivity allowed industrialized countries to have an economical production more than sufficient for creating a minimal standard of living for their inhabitants (Britannica, 2011). Regardless, poverty is a phenomenon which persists or sometimes increases even in industrialized (developed) countries (Stiglitz, 2012), and which remains a vast challenge for developing countries.

Poverty, as defined by the World Bank (2010), is a 'pronounced deprivation of well-being.' This concept of well-being can be interpreted in different ways, but in general one could say that it refers to how well a person can function in society; this functioning being dependent on that society's institutions (Narayan et al., 2000), the height of income one has (World Bank, 2010), and the opportunities one is able to pursue (Nussbaum, 2011). Attempting to grasp poverty in numbers, World Bank's 2008 statistics estimate that around 2.6 billion people live under the poverty line of $2 per day, of which 1.289 billion people live on less than $1.25 per day[14]. Generally speaking, at the $2 level basic needs for survival are met, but just by a thin margin, while those living under $1.25 live in deep poverty and often struggle to meet their basic needs (World Bank, 2008).

Seeing poverty as a lack of income is perhaps the most straightforward manner of understanding poverty. However, development scholars Narayan et al. (2000) explain that poverty is multidimensional in nature and that this is interlocked to its persistence: it is dynamic, complex, institutionally embedded, and a gender- and location-specific phenomenon. Also, variations of poverty patterns and shapes vary by social group, season, location, and country. Naturally, this leads to a myriad of conflicting thoughts among and between policy makers, business and different academic fields on how to effectively combat poverty. A growing consensus is reached however,

[14] The World Bank (2013) reports that global poverty numbers show a declining trend. This especially holds for countries such as China and others in East Asia, and Latin America, whose higher levels of urbanization go hand in hand with the lowering of poverty. South Asia and Sub-Saharan Africa on the other hand, which are the world's least urbanized regions, show no such positive trend. It is expected that by 2015, 970 million people will still live in extreme poverty.

towards what causes the existence of poverty. Sociologist Seccombe (2000) notes that over the years the explanations provided by scholars to explain poverty existence has changed from being mostly individual (i.e. poverty is caused by individual characteristics, such as family background and character) to being mostly structural (i.e. poverty is caused by social and economic policies, and systemic failures such as corruption). Development scholars Hulme, Moore and Shepherd (2001) have reviewed the literature on poverty and identified four factors and associated characteristics which are commonly held as the main causes of poverty (see Table 1).

One of the ways in which the complexity of poverty becomes evident is that some of these characteristics are not just causes, but also effects of causes. 'Poor health,' for example, may hamper somebody in earning an income, thereby causing poverty. It could however also be an effect of poverty, as a lack of financial means may not enable one to visit a hospital or buy medicines. On a macro-level, one could see in Vietnam how 'bad governance' led to a stark increase in poverty after the establishment of communist rule in the 1970s. This characteristic could, however, have originated from the lack of education which characterized those in power, which is a result of poverty. Other characteristics are more ambiguous in being a cause, or being a cause and effect. This duality of cause and effect shows that there is what economists refer to as a 'poverty cycle,' or 'poverty trap' (Stiglitz, 2012), which makes it difficult if not impossible for people to lift

***Table 1.*** Four Factors and Specific Characteristics of Causes of Poverty

| Factor | Characteristics |
|---|---|
| Economic | • Lack of skills and productivity<br>• Economic shocks and 'poor' economic policies<br>• Terms of trade<br>• Technological backwardness<br>• Globalization |
| Social | • Discrimination (gender, age, ethnicity, caste, race)<br>• High fertility and dependency ratios<br>• Poor health and HIV/AIDS<br>• Culture of poverty and inequality<br>• Lack of trust/social capital |
| Political | • Bad governance<br>• Insecurity and violent conflict<br>• Domination by regional / global superpowers<br>• Globalization |
| Environmental | • Low quality natural resources<br>• Environmental degradation<br>• Natural disasters<br>• Remoteness and lack of access<br>• Propensity for disease |

Adapted from Hulme et al. (2001: 23)

themselves out of poverty by their own means. If this persists, this can lead to chronic poverty, leading people to pass poverty on from generation to generation (Hulme & Shepherd, 2003).

As it is so difficult for people to lift themselves out of poverty, to pull themselves up by their bootstraps as it were, help from outside is often a necessity. This help from outside can take on many forms; it can come, for instance, from businesses, NGOs and governments, and ways of providing it include charitable actions or providing employment opportunities. By looking at the differences between different groups of the poor through their standard of living, we can get an overview of the different needs and characteristics of different groups of poor, and thus better grasp how businesses could lift these different groups of impoverished out of their poverty.

***2.2.2 Segmenting the BoP according to living standard.*** Throughout Prahalad's work on the BoP proposition, he has always been imprecise in defining the BoP (Crabtree, 2007). Crabtree (2007: 2) notes how Prahalad in his *The fortune at the Bottom of the Pyramid* refers to the BoP as 'those 4 billion people who live on less than $2 a day.' The actual accuracy of these numbers aside, the author argues that such definition does not allow for discerning between people living on $2 and $1, or less. Clearly, at such margins there can be large differences in standards of living depending on whether one has, say, 50 cent, or two dollars to spend per day. This lack of nuance reveals a shortcoming in Prahalad's approach: the implicit assumption or suggestion is made that one 'silver bullet,' in his case MNCs selling products and services to the poor, can be sufficient to solve global poverty. It is a sensible thought that certain groups in the BoP can benefit from certain products and serviced being sold to them. Nevertheless, it is hard to imagine how, for instance, the Khmer ethnic minority in Vietnam's Mekong Delta, who are socially disadvantaged, marginalized from community organizations, often jobless, while living in a region prone to natural disasters, could consume their way out of these problems.

To further the BoP debate, it is therefore paramount to discern the BoP more precisely. Besides the importance of doing this by appreciating the vast cultural and geographical differences between different BoP markets[15], another way to establish this is by comparing different BoP

[15] Within business literature, Hammond, Krammer, Tran, and Walker (2007) state that the BoP is concentrated in four regional areas: Africa, Asia, Eastern Europe and Latin America and the Caribbean. 12.3 percent of the BoP lives in Africa, 72.2 percent in Asia, 6.4 percent in Eastern Europe and the remaining 9.1 percent lives in Latin America and the Caribbean. Rural areas dominate most BoP markets in Africa and Asia while urban areas dominate most in Eastern Europe and Latin America and the Caribbean. Size estimates of the BoP in US buying power approximate US$1.3 trillion. Estimates state that the Asia market has a buying power of $742 billion, Latin America market $229 billion, the Eastern Europe market $135 billion and Africa $120 billion. These numbers aside, Simanis and Hart (2007) note that the BoP should be seen as a socioeconomic demographic instead of a market (even though one will often stumble on the latter term in the BoP context). The complexities and variance within the BoP are as big as those within the middle class and wealthy, hence the fact that the term 'market,' insinuating that the BoP indeed is one market, can be misleading.

segments on the basis of their standard(s) of living: the extent to which their basic needs are met or exceeded. By doing this, MNCs can more adequately understand where to draw the crude pencil lines outlining their business strategies when working in and with the BoP, with some strategies drawing on BoP 1.0 principles, and others on ideas from BoP 2.0. Within business scholarship, Kasturi Rangan, Chu and Petkoski (2011) have suggested that the BoP can roughly be divided in three groups in terms of living standard, and three groups in terms of their role as 'business partner' (see Table 2).

***Table 2.*** Segmenting the BoP by Living Standard

| **Low Income ($3-$5 a Day)** | **Subsistence ($1-$3 a Day)** | **Extreme Poverty (below $1 a Day)** |
|---|---|---|
| *Living standard:*<br><br>• Frequently have some years of secondary education<br>• Often have relatively stable jobs as construction worker, petty trader or driver<br>• Families often own consumer goods such as televisions, bikes and mobile phones | *Living standard:*<br><br>• Sometimes have some years of secondary education<br>• May work as day laborers or temporary workers, but income is often not steady<br>• Many need improved sanitation, health care and education<br>• Important need comprises a stable job | *Living standard:*<br><br>• Lack basic necessities: sufficient food, clean water and adequate shelter<br>• Often suffer from war, civil strife and natural disaster<br>• Poor health, lack of education and nutrition and financial vulnerability shut them out of the organized economy |
| *Value-creation as consumers:*<br><br>• MNCs can directly respond to pressing needs such as better sanitation, education and credit<br>• Introduce innovations that enable people to devote fewer resources to basic activities, such as cooking | *Value-creation as co-producers:*<br><br>• Providing people with stable work and income<br>• Fields of work may include assembly work, distribution and retailing | *Value-creation as clients:*<br><br>• People are in need of 'agents' to garner resources on their behalf<br>• The government, a civil society institution or a commercial firm could serve as agents |

Summarized from Kasturi Rangan et al. (2011: 114–115)

As can be seen, there is a marked difference in characteristics and needs between the three BoP living standard segments. The three suggested roles – as consumers, co-producers and clients – can be applied throughout any these three BoP segments, but it is argued by Kasturi Rangan et al. (2011) that these roles are of particular benefit when assigned to their respective BoP segment as displayed in Table 2. With the focal point of the case study in this research revolving around people in the BoP functioning as co-producers, this will be described in the following section in more detail.

***2.2.3 The BoP as co-producers.*** The BoP 2.0 literature revolves around firms providing the poor with employment opportunities and facilitating skill transfer. Munir et al. (2010) note that the

BoP 2.0 proposition deals in essence with engaging neglected BoP communities in MNC production networks, as co-producers. The challenge here is that firms have to assess how they can engage the BoP in their production chain in a way which is financially feasible for the firm, as well as beneficial for the people and their communities (Munir et al., 2010). The authors suggest that a lot can be learned from work on global value chains (GVCs), as scholars in this field have been long engaged in research regarding globalization in production networks and how globalization of value chains impacts third world producers.

The value chain can be defined as 'the full range of activities which are required to bring a product or service from conception, through the intermediary phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use' (Kaplinsky, 2000: 121). A value chain can exist of a variety of groups and organizations, from suppliers, distributors and processors, to government institutions and host-country communities. The term 'global' comes in play at the moment one tries to understand value chains which consist of multiple firms and are spread across different countries and continents.

Development scholars Fitter and Kaplinsky (2001) identify three important components of value chains meant to transform the concept into an analytical tool, the most interesting of which for business practitioners is the matter of governance. This component revolves around the key actors in the value chain who take responsibility for the inter-firm division of labor, and for the capacities of particular participants to upgrade their activities. This governance appears in different patterns. Sociologists Gereffi, Humphrey and Sturgeon (2005) devised a continuum containing five patterns, placing 'markets' – GVCs governed by markets containing firms and individuals buying and selling goods to each other; price is the central governance mechanism – on the one end and 'hierarchy' – GVCs governed by vertical integration in one firm; managerial control is the dominant form of governance – one the other, with 'relational value chains' – GVCs governance based on mutual dependence between partners through, for instance, reputation, social and spatial proximity – striking the middle ground.

GVC studies show that in many instances severe power distances exist between MNCs and the local communities and firms, with most of the governance power gravitating towards the MNC (Kaplinsky, 2000; Gereffi et al., 2005). As one can imagine, this power distance can slip into acts of exploitation. Munir et al. (2010) suggest that this exploitation could be countered by pushing BoP ventures higher up the value chain, thereby facilitating more knowledge transfer and establishing

mutual dependence (through higher investments) and benefits, which can create a more equal relationship between the MNC and BoP. Munir et al. (2010) categorize BoP ventures in four groups, with each 'step to the right' in their typology (see Table 3) representing a tighter relationship between the MNC and BoP and hence, more mutual dependence.

***Table 3.*** BoP Venture Typology

| Venture type | Market Driven | Distribution Driven | Production Driven | Knowledge driven |
|---|---|---|---|---|
| *BoP inclusion* | End-user feedback; market study participation | Retail outlets; delivery | Raw material production; commodity production | R&D; specialized manufacturing |
| *MNC investment* | Minimal | Low | Medium | High |
| *Government participation* | Regulation | Regulation | Regulation / Cooperation | Cooperation |

Adapted from Munir et al. (2010: 266)

The first venture type, 'market driven,' consists of selling to the poor (BoP 1.0), while the subsequent three types consist of providing employment opportunities (BoP 2.0), in which case the BoP actively participates in the value chain. The case of HLL recruiting Shakti women as sales representatives (see Box 1) can be a characterized as 'distribution driven' venture, whereas the MNC in the case study of this research has established a 'production driven' venture. When an MNC manages, through one of such ventures, to establish the aforementioned mutual dependance and benefits, this could lead to people's capability development. In order to explain this desirable outcome in more detail, I will now turn to theory on the Capabilities Approach, after which I will explain the link between capabilities and social capital. In addition, I will operationalize both concepts to establish them as workable tools for the case study.

## 2.3 Perceiving Development through the Capabilities Approach

The introduction chapter mentions how the judgment of human development could be measured through economic indicators. Sen's (e.g. 1983) and Nussbaum's (e.g. 2011) Capabilities Approach offers a different perspective on the development of impoverished individuals, one which so far has been largely absent from BoP studies (Ansari et al. 2012). When perceiving development in a country, the approach stresses to do so by not employing just economic indicators, but rather by

wondering whether the country's people are able to live meaningful lives for themselves. The before mentioned economic indicators can contribute in accomplishing this, but should always be perceived as a means and never as an end in themselves. The approach therefore opposes conventional BoP theories which state that the mere creation of (un- or low-skilled) job opportunities and an increase in the ability to consume ('Market Driven' and 'Distribution Driven' BoP ventures) may per definition be enough to allow people in the BoP to escape their impoverished lives (Ansari et al. 2012).

The Capabilities Approach knows several interpretations. The explanation below draws mainly on Nussbaum's (2011) most recent work on the approach.

***2.3.1 The Capabilities Approach explained.*** In *Creating capabilities: The human development approach*, Nussbaum (2011) describes the Capabilities Approach as an approach which determines people's comparative quality-of-life and theorizes about basic social justice. The central question within the approach is: 'What are people (and what is each person) actually able to do and be?' In other words, it takes each person as an end, asking not just about the total or average well-being (as utilitarians do) of a society, but about the opportunities available to each individual person. Having 'capabilities' means having *choice* and *freedom*, holding that one of the most important goods societies should promote for their people is a set of opportunities, or substantial freedoms. Whether these people capitalize on these opportunities and freedoms is up to them.[16]

Capabilities form the answers to the question: 'What is this person able to do and be?' In one standard definition by Sen (1999: 75), 'a person's "capability" refers to the alternative combinations of functionings that are feasible for her to achieve. Capability is thus a kind of freedom: the substantive freedom to achieve alternative functioning combinations.' Capabilities are not just abilities internal to a person but also the combination of these with one's possible actions and freedoms in the political, social and economic sphere. Combining these leads to one's 'substantive freedoms.' An implication hereof is that there ought to be distinguished between one's *internal* capabilities and one's *combined* capabilities (i.e. the possible actions and freedoms in the political, social and economic environment). Internal capabilities are trained or developed traits and abilities, and could include somebody's ability to sew, sense of self-worth and freedom from earlier fears and uncertainties. This type of capabilities is just *a part* of one's combined capabilities. It is

[16] However, the expansion of 'choice' in the form of non-essential consumerism is something which certainly would not fall under a person's capabilities. Research shows that many poor could spend more income on the education and nutrition of their children, if it were not for their often excessive consumption of alcohol and tobacco (Banerjee & Duflo, 2007).

important to make a distinction between the two because a person may have well developed internal capabilities but might be cut off from avenues through which this person actually has the opportunity to function in accordance to these capabilities. To illustrate this: someone might be educated in such a way which allows him or her to exercise free speech on political matters, but is denied from its expression by an oppressive government.

*Functioning* is a way of realizing one or more capabilities, and it entails the other side of a capability. A functioning could be as simple as enjoying a stroll around a lake. It can also refer to being adequately nourished and having a good health. In contrasting functionings and capabilities, we have to bear in mind that a capability refers to the opportunity to select. A commonly used illustration of this explains the difference between a person who is fasting and a person who is starving. They both have the same functioning concerning nutrition, but they do not have the same capability, because the person who fasts is able not to fast, whereas the starving person has no choice (Sen, 1992). Capabilities are important because of the way they may lead to functionings. They have therefore value in and of themselves, as spheres of freedom and choice. For that reason the Capabilities Approach puts more emphasize on capabilities than on functionings. In promoting capabilities, areas of freedom are promoted, which is different from making people function in a certain way.

Concluding, one can observe that this approach strongly departs from the traditional real-income framework which involves people in the setting of economic priorities and growth strategies, as it is instead concerned with expanding the abilities of people to do things that they have reason to value (Ansari et al., 2012).

***2.3.2 Operationalizing capabilities.*** As this research opts to use the Capabilities Approach as a tool in its case study, it needs to be operationalized. This operationalization however, proves to be one of the largest challenges of the approach, as it is difficult to measure capabilities and a definite list (i.e. one which enjoys general consensus among scholars) of capabilities is absent (Gasper, 2007). In addition, major critics suggest that approaches such as these invite subjectivity into developmental research (The Economist, 2010). The claim is that, since metrics such as 'well-being' and 'capabilities' cannot be measured in an 'objective' manner, one should not take them into consideration in scientific research. On the contrary, measuring value 'objectively' in the case of, for instance, GDP is done by employing the market mechanism. If something is not (directly) measurable in terms of market value like 'well-being' or 'nature,' it either has no value or its value

is 'subjective,' rendering it meaningless for the deployment in sound scientific research methods (Heijnen, 2011: 11).

Heijnen (2011) argues that an argument such as this, although widely used, is flawed according to basic principles of academic science. These posit that ontology, 'a consideration of what the world is composed of, and what is therefore considered most important' ought to presuppose considerations of epistemology – 'how do we legitimately obtain knowledge of that which we deem important' – and methodology, 'how do we technically measure this knowledge' (Wight, 2006, cited in Heijnen, 2011: 11). Hence this research, following this line of reasoning, confidently employs the Capabilities Approach, although it is wary about the limitations regarding its operationalization, which may require 'major simplifications' (Gasper, 2007: 357).

Arguably the most feasible way of operationalizing the approach is by employing lists of human capabilities from scholars (e.g. Crabtree, 2007; Nussbaum, 2011), who have generated these lists based on international conventions, Participatory Poverty Assessment (PPA) reports reaching out to poor communities and extensive reviews of important philosophical accounts in the world. Most authors note that these lists are not definite, nor that the capabilities listed are necessarily equally important. The lists generated are spawned from the question: what does a life worthy of human dignity require at an absolute minimum? This research employs the following list of essential human capabilities (the more extensive definitions of which are paraphrased) as devised by Nussbaum (2011: 41):

1. *Life*. Being able to live to the end of a human life of normal length; not dying prematurely, or before one's life is so reduced as to be not worth living.
2. *Bodily health*. Being able to have a good health, including reproductive health; to be adequately nourished, to have adequate shelter.
3. *Bodily integrity*. Being able to move freely from place to place; to be secure against violent assault, including sexual assault and domestic violence; having opportunities for sexual satisfaction and for choice in matters of reproduction.
4. *Senses, imagination, and thought*. Being able to use the senses, to imagine, think and reason – and to do those things in a 'truly human' way, a way informed and cultivated by an adequate education.
5. *Emotions*. Being able to have attachments to things and people outside ourselves. Not having one's emotional development blighted by fear and anxiety.
6. *Practical reason*. Being able to form a conception of the good and to engage in critical reflection about the planning of one's life.
7. *Affiliation. (A)* Being able to live with and towards others, to recognize and show concern for other human beings, to engage in various forms of social interaction. *(B)* Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others.

8. *Other species*. Being able to live with concern for and in relation to animals, plants and the world of nature.
9. *Play*. Being able to laugh, to play, to enjoy recreational activities.
10. *Control over one's environment*. *(A) Political*. Having the right of political participation, protections of free speech and association. *(B) Material*. Being able to hold property; having the right to seek employment on an equal basis with others. In work, being able to work as a human being, exercising practical reason and entering into meaningful relationships of mutual recognition with others.

MNCs could contribute in the development of several of these capabilities. For people in the BoP, these capabilities in particular could be *bodily health*, by providing products enhancing one's health or providing job opportunities which are an alternative to physically destructive labor. *Affiliation* could be enhanced by offering job opportunities which allow for social interaction among workers, and by offering working hours which enable one to spend sufficient time with family, friends and social groups. Also, fostering feelings of self-respect by treating employees with decency could contribute to this. Similarly, *play* can be developed by offering people a humane working place and working hours which provide them with the opportunity to engage in recreational activities. Finally, the *material* aspect of *control over one's environment* can be enhanced by offering jobs with a stable and reasonable income and a work environment which fits human decency.

Taking this list of capabilities beyond these 'basic necessities,' one could also say that MNCs could play a role in enabling people to reach what they are able to do and be, by offering employment opportunities fitting their interests and educational abilities.

***2.3.3 Capabilities and BoP communities.*** What the Capabilities Approach does not do, is perceiving the individual as part of a collective. The importance of individual capabilities and individual freedoms are emphasized, as 'capabilities belong first and foremost to individual persons, and only derivatively to groups,' espousing 'a principle of *each person as an end*' (Nussbaum, 2011: 36). In developing contexts though, the power of the collective is highly important in creating opportunities for development (Ansari et al., 2012), and individuals tend to see themselves as being part of a broader social context, as opposed to those people living in more individualistic societies (Zhong, Magee, Maddux & Galinsky, 2009).

Ansari et al. (2012) recognize that social capital can serve as a useful concept to expand the work on capabilities. They note that an important route for community development is through social capital, as it constitutes, due to poorly functioning local markets and state, often the primary form of capital in developing communities. Namely, in order to ensure their survival, or to solve

issues of a less dramatic nature, people in such communities often turn to their informal networks of family, kin, friends and neighbors (Narayan et al., 2000). Due to this primary importance, theory on social capital will now be examined, drawing on the work of sociologists and development scholars such as Adler and Kwon (2002), Portes (1998) and Narayan and Cassidy (2001).

## 2.4 Social Capital

Since Loury (1977) introduced the term social capital into modern social science research, it has spawned a considerable body of literature crossing disciplinary boundaries. Understood roughly as the set of trust, institutions, social norms, social networks and organizations, social capital shapes the interactions of people within a society and forms an asset to the individual and the collective in the production of well-being (Adler & Know, 2002; Portes, 1998). The concept can be employed to the study of business and public organizations[17], public health, democracy and governance, youth behavior problems, families, economic problems, general problems of collective action and community life (Adler & Kwon, 2002). This section discusses elements of the theory which pertain to community life.

***2.4.1 Social capital explained.*** Adler and Kwon (2002) suggest that the first element in social capital is the structure of social relations between people. Whereas economic capital accumulates in people's bank account and human capital is exclusive to people's minds, social capital is embedded in the structure of their relationships. To have social capital, a person must always be related to others, and it is these 'others' that are the actual source of his or her advantage (Portes, 1998). Social capital is therefore not the private property of any one person, but exists only when it is shared and embedded in a society's social structure (Narayan, 1999). Due to this, social capital requires maintenance: the periodical renewal and reconfirmation of social bonds is crucial if they are not to lose their efficacy (Adler & Kwon, 2002).

The presence of a strategy is a second element in the social capital concept. Wodon (1997) states that social capital is a network of horizontal relations and associated norms that facilitates the undertaking of collective activities. The bonds of shared values, norms and institutions serve to tie groups and societies together (Narayan, 1999). Social capital involves cooperation between members of a group aiming to achieve objectives which are unattainable individually, leading the

[17] Baker (1990), for instance, provides an early account on the economic performance of firms in relation to social capital. Nahapiet and Ghoshal (1998) provide a study on social capital as organizational advantage.

expected benefits and costs of each member to depend on the actions of others (Wodon, 1997). In a community, it thus forms a safety net for all its members, which is especially important for those belonging to the particularly vulnerable groups: the children, the elderly, the ill and those living in deep poverty (Scott, 1976, cited in Ansari et al., 2012: 821).

An important distinction in social capital can be made depending on whether the point of focus is on internal ties within collectives – *bonding* social capital – or on relationships external to the collective – *bridging* social capital (Narayan, 1999; Portes, 1998). Bonding social capital within communities thus hinges on the relationships between people; how much they trust each other, the extent to which they rely on each other in times of trouble, the time they spend together, their shared norms. Bridging social capital refers to those ties outside the core of the collective, which for communities could mean government connections, employment opportunities, or access to credit.

***2.4.2 Operationalizing social capital.*** Similar to capabilities, the operationalization of social capital also finds itself in a somewhat misty area. Paxton (1999, cited in Narayan & Cassidy, 2001: 61) observes a 'wide gap between the concept of social capital and its measurement.' This is reflected by the concept's research methods: these are varied, reflecting the diversity of its interpretations. Theories such as social capital comprise constructs that are abstract in nature, therefore requiring subjective interpretation in their translation into operational measures. As such, these operational measures are 'indirect surrogates of their associated constructs' (Narayan & Cassidy, 2001: 61).

Narayan and Cassidy (2001: 61) note that 'an intermediate step in defining what social capital is and is not is to unbundle the theory into its dimensions.' They have defined these dimensions by reviewing the most prominent work on social capital related to communities, subsequently constructed a theoretical model around them and hereafter, enriched this with their empirical research, which has led to the following list of dimensions (definitions of the dimensions are summarized from Narayan & Cassidy, 2001: 92–97):

1. *Group characteristics*. The number of social groups people are engaged in (e.g. sports, religious) and in what intensity and frequency.
2. *Generalized norms*. The general helpfulness people experience in their community and the general feeling of trust towards others, as well as the perceived fairness of others.
3. *Togetherness*. Whether people get along well with others and have a feeling of belonging to their community.
4. *Everyday sociability*. With what frequency people engage in group activities with each other, e.g. playing cards, games, singing.

5. *Neighborhood connections*. Ability of people to count on their community in times of trouble, related to health. E.g. asking each other to take care of each other's children when they are sick or extent to which they can and will ask for help when they are sick themselves.
6. *Volunteerism*. The extent to which people engage in voluntary engage in community activities, e.g. decorating their community during holidays or collectively work on fixing their roads.
7. *Trust.* The extent to which people trust their family, neighborhood members, neighborhood leaders, and governmental bodies/institutions.

In addition, social capital can be divided in three components: *structural* social capital – the configuration and density of the network, characterized by e.g a community's hierarchy and thus the role of its leader(s); *relational* social capital – trust and types of relations, characterized by, for instance, friendships, family ties and rapport with co-workers; and *cognitive* social capital – shared identities, beliefs and norms, characterized by, for instance, specific codes or unique languages (Ansari et al. 2012; Bolino, Turnley & Bloodgood, 2002; Nahapiet & Ghoshal, 1998).

The dimensions listed above cover to a large extent the relational and cognitive components of social capital, and therefore mostly pertain to the operationalization of the afore described bonding social capital. The structural component of social capital however, is not really covered as such in these dimensions. Often an essential link in the chain between a community and the outside world, community leaders play an important role in their communities as facilitators of bridging social capital (Narayan et al. 2000). In order to understand the bridging social capital in a community therefore, it is important to look at the position of community leaders within a community.

***2.4.3 Social capital influenced by MNC intervention.*** The previous section describes how existing social capital within communities can be described and broadly operationalized for scientific purposes. This forms an important step in this research, as it serves as the basis from which can be understood how the social capital of these close-knit communities can be influenced by MNC intervention, who may contribute to the replacement of informal economies by formal ones and create dependence on parties outside of the community's 'core.' The literature describes several ways in which this influence might manifest itself. Adler and Kwon (2002) note that several streams of social theory contain researchers arguing that an increasingly differentiated and expanded domain of economic exchange tends to corrode social capital, over time. By reviewing the many forms of this 'self-destructive' view of market-based society expressed in both Marxist and classical reactionary thought, as well as in numerous strands of sociological theory, economist

Hirschman (1982, cited in Adler & Kwon, 2002: 28) argues that the market undermines the traditional bonds of community and extended family, paving the way for the anonymity of urbanization and the destruction of (bonding) social capital.

In line with this, Ansari et al. (2012) derive from the literature that MNCs are not per definition more efficient and responsive than existing local businesses, and in fact, that MNC's entry can crowd out these businesses. Due to their local embeddedness and community knowledge, local businesses are believed to be better equipped in responding to local needs. Resulting, this corroding of social capital by outcompeting local businesses may leave communities fragmented and dependent on outsiders, therefore leaving them unable to sustain themselves. The existing ties between people may get severed, destroying the rapport between these people they have in meeting each other's needs through the informal economy. Ansari et al. (2012: 822) describe these possible negative implications as an 'alarming outcome,' so far unacknowledged by the BoP literature and thus, not yet systematically researched.

The other side of the debate however, maintains that this market-based system of commerce is 'pacific' in character, and is put in place to help mankind, by rendering individuals useful to each other (Adler & Kwon, 2002). Further, although more sparsely described than the benefits, some scholars have also pointed out several risks strong social capital may bring. Pertaining to social capital in tight-knit communities, these may include free-riding problems and the hindrance of entrepreneurship. Strong norms in a community may lead to the distribution of resources among (extended) family members, which may therefore reduce the incentives for entrepreneurial activity and thus, slow the accumulation of capital (Portes, 1998). Also, as put eloquently by Powell and Smith-Doerr (1994, cited in Adler & Kwon, 2002: 30): 'the ties that bind may also turn into ties that blind,' with which they mean that persons may become 'over-embedded' in their group. This may result in a reduced flow of new ideas into the group, which leads to inertia. From this, one can derive that the strong presence of social capital in communities does not necessarily bring benefits to *all* of its members, nor even to the community as a whole.

Clearly, it is difficult to put forward conclusive inferences on how external parties influence the social capital of communities. The case study findings which address this matter empirically hope to contribute to the understanding of this influence.

## 2.5 Concluding Thoughts on Research Contributions

This research hopes to contribute to a richer understanding of the interplay between MNC business initiatives and the people at the BoP and their communities. It does so by positing two research questions: (1) *How can MNC intervention influence the capability development of impoverished individuals?* and (2) *How can MNC intervention influence the social capital of poor communities?*. In order to answer these questions, this research integrates insights from several academic streams – the most important ones of which for this research are the Capabilities Approach and social capital – and applies these on an on-the-ground case study – a local-foreign collaborative business initiative creating employment opportunities for women in a Vietnamese rural community –, thereby hoping to enrich BoP business scholarship (see Figure 1).

***Figure 1.*** The Link between Case Study and Different Strands of Theory, Related to Intended Academic Contributions


As Figure 1 shows, theory on the Capabilities Approach (Nussbaum, 2011; Sen, 1983, 1992) and social capital (Adler & Kwon, 2002; Narayan & Cassidy, 2001) will be used as lenses through which the case study – embedded in theory on poverty (Narayan et al., 2002; Hulme et al., 2001), the BoP segmented according to living standard (Kasturi Rangan et al., 2011) and the BoP as co-producers (Kaplinsky, 2000; Munir et al., 2010) – will be perceived. Through adding new empirical case study findings aided by drawing on these theories, I attempt to further the academic BoP debate.

Besides, considering the close distance from researcher to the research subject (Yin, 2002) and considerable emphasis on a situational context (Strauss, 1987), the findings brought forward by this research also attempt to be of real-world utility, namely through providing business practitioners valuable insights in the BoP and how to conduct business in the BoP. By extension, these insights could lead to providing impoverished people with better future prospects.

# 3 CASE STUDY: EXPLORING RURAL VIETNAM

'Nothing is more more precious than independence and liberty.' These words were spoken by Ho Chi Minh, who 40 years after his death remains one of the largest heroes and inspirations of contemporary Vietnam. Under the rule of Ho Chi Minh's successors Vietnam may have achieved independence, but liberty did not turn into one of the country's virtues over the subsequent decades, as evidenced by the heavy suppression of human rights and a stark increase of poverty (O'Rourke, 2003). The first section of this chapter introduces Vietnam and provides facts about this poverty, thereby providing the research setting. This will be followed by a description of the Vietnamese rural community and the foreign establishment of the textile factory, which are the case study's unit of analysis, and paint the scene for the upcoming chapter on the findings and analysis. (Facts stated here which do not possess citations originate from the author's primary data.) Finally, a description of the case study data, which contains an exposition of the data collection and the data analysis, will be provided.

## 3.1 Introducing Vietnam: The Research Setting

Following the fall of Saigon in 1975 and the subsequent communist rule of the country, Vietnam was largely excluded from the global economy until the early 1990s. The communist rule saw Vietnam decline into great poverty, with people fleeing the country en masse and a famine in 1988 afflicting millions (New York Times, 1988). More recently, after the lifting of the US trade embargo in 1994 and the entry of the World Bank, Asian Development Bank, International Monetary Fund, and a flood of bilateral donors, aid agencies, and trade agreements, Vietnam has rapidly joined the global economy, which has contributed to alleviating the country's great poverty (O'Rourke, 2003).

Yet, the most recent poverty statistics of 2010 estimate that 14.5% of the Vietnam's population of 91.5 million still live in poverty, the vast majority of which lives in the rural areas (World Factbook, 2012). In total, 80% of the population lives in these rural areas (Truong, Van der Heijden & Rowly, 2010), and malnutrition here is still common among the poor (World Factbook, 2012). Further, the country is one of the most hazard-prone areas in the Asia Pacific Region, with natural disasters including major storms and flood events. The rural poor are particularly vulnerable and often find themselves even deeper in the poverty cycle after a disaster. Natural hazards result in economic losses equivalent to between 1 and 1.5 percent of the GDP per year (World Bank, 2012b).

Nearly two-thirds (60.2%) of the country forms part of the working population, which is equally distributed among men and women. Almost half (48%) of the workforce works in agriculture, followed by 29.6% in services and 22.4% in industry (World Factbook, 2012). The labor force is generally well-educated and hard working, yet lacks a creative spark, partly due to the rigid educational system (Truong et al., 2010). The equal distribution of men and women among the workforce is one indicator of gender equality, and with a rank of 48 (out of 146 countries), Vietnam indeed scores relatively well on the Gender Inequality Index (Human Development Report, 2011). Still, the position of women varies considerably among Vietnam's 54 different ethnic groups, with women in several of these groups facing considerable marginalization (Fritzen & Brassard, 2005).

Environmental scholar O'Rourke (2003) briefly touches upon Vietnam's long history of resistance and rebellion against foreign invaders. To simplify, the Vietnamese resisted the Chinese for 1.000 years, the French for 100 years and the Americans for just over ten years. Vietnam's continuity in anti-colonialism is 'a highly charged, historically self-conscious resistance to oppressive, degrading foreign rule. Possessors of a proud cultural and political heritage, many Vietnamese simply refused to be cowed' (Marr, 1971, cited in O'Rourke, 2003: 57). This strong-mindedness coupled with Vietnam's socialistic past and present, leads to an social cohesion among its people of an incredible strength (O'Rourke, 2003).

As Vietnam presents an example of how a developing country is blending into the world's globalization, it offers many interesting research opportunities for this research. One of these opportunities presented itself in the form of Hoa Son community.

### 3.2 Introducing Hoa Vang and the Textile Factory in Hoa Son: The Unit of Analysis

The fieldwork of this research took place in the rural areas around Hoa Vang, a district of Da Nang province. Due to the deregulation of Vietnam's central government over the past decade, the local government of the area has been able to heavily invest in infrastructure and other facilities, aiming on attracting foreign direct investment – this has resulted in a touristic boom in the area and makes the area attractive for corporations who seek cheap outsourcing opportunities. Hoa Son community, where the focal MNC of this study has established a textile factory, provides the lion share of this study's data. In addition, I visited a neighboring community, with the main purpose of establishing whether the inferences I drew on Hoa Son's social capital are generalizable with regards to communities based in Central Vietnam.

***3.3.1 Hoa Vang district.*** An estimated 106.000 people live in Hoa Vang, spread over a total of 15 communes[18] (Statoids, 2012). Although deep poverty in this district is rare, for many people their income often is just barely enough to make it through the day. The district sees people having average incomes ranging roughly from $2 to $10 per day. For many people, these incomes are yielded through farming, stone cutting or industrial labor. Many others however, are either jobless or are informally employed as repairmen, collectors of plastic, or engage in illegal logging.

The climate in Central Vietnam allows farmers to harvest their fields twice per year. To put this in perspective: farmers based in South Vietnam have four of such opportunities. Also, the climate allows the stone cutters to conduct their work only partly throughout the wet season, which results in an unstable income. Education for many people comprises 9th grade secondary school, graduating at the age of 15. In general, the younger the people, the more likely it is that they are educated beyond this, often up until 12th grade.

Daily life in the communities is strongly marked by routine. Working days, which for many comprise Monday until Sunday, start early and end late in the evening. Those who are employed in the industrial area work generally between 12 and 14 hours per day. Although the people say to be happy in general, they often feel limited by the little choices and the opportunities they are handed. The communities are often characterized by a sense of isolation. Many people have never left them, or have visited at most neighboring cities and communities. People's perception of the world outside their communities is generic; it is often characterized as rich and modern. There is a notion of the concept of foreign companies, but people are often unaware about the presence in their lives, and may believe that the cans of Coca-Cola in their store are produced by their government.

***3.3.2 The case of the textile factory.*** Hoa Son community has around 2000 inhabitants. The Catholic church serves as one of the most important institutions in this community and is an important building block in the community's social capital, by giving people feelings of comfort and safety, serving as a meeting place and supporting the community's real poor by providing them with basic necessities such as food and clothing.

This case study centers around a project set up several years ago by the church: a social workplace intended to develop textile related work skills for women in the community, as to increase their chances on gaining employment in the industrial area. A year ago, the church

[18] A rural commune is a third-level (commune-level) administrative subdivision of Vietnam. Rural communes are subdivisions of counties, which are in turn subdivisions of provinces. For consistency with previous literature, this work refers to these communes as 'communities.'

transformed this workplace in collaboration with a Japanese MNC[19] into an actual factory. The MNC provided new sewing equipment, employee training sessions, and a salary and health insurance for its 90 employees. The factory offers an easily reachable work environment for the women in the neighborhood, who previously were either jobless, or were engaged in work too physically demanding. The women are employed in functions ranging from sewers, to quality controllers and team leaders.

The MNC places product orders, which after production are shipped to mostly Saigon and Hanoi. The MNC's relationship with the community is arm's length: their intervention presents itself in the form of occasional quality control. Day-to-day operations are being run by the church, which has appointed a factory director. The MNC has a local subsidiary in Vietnam and engages in approximately 150 of these local-collaborative production projects around the world. Appendix A displays several photo's shot in the factory, the community and in its resident's houses, serving as the visual context for this study's upcoming findings and analysis (Taylor & Bogdan, 1998).

### 3.3 Collecting & Analyzing the Data

***3.3.1 The data.*** Data collection relied mainly on conducting semistructured interviews with open-ended questions. Within the context of poverty, conducting interviews is seen as a research method of great value, as it is able to capture the meaning, depth, manifestation of poverty in a way unobtainable by quantitative methods, such as household surveys (Narayan et al., 2000).

A total of 29 people were interviewed. These people were selected through a process of theoretical sampling – sampling evolved during the research process and the data gathering was finished when the richness and variety of the data was saturated (Strauss & Corbin, 1998). 21 of these people were interviewed individually; eight were interviewed through group interviews. I interviewed 12 women working at the textile factory, whom I spoke with about their perspective on their job at the textile factory and how this influenced their capabilities, the social capital of their community and their perspectives on development of their community. Another seven people were interviewed who did not work in the factory, but lived in the community. Their perspectives were especially important for gathering insights in the functioning of their community and the role social capital plays herein, as well as viewpoints on foreign business entering their community.

[19] On request by the factory director, the name of this MNC cannot be disclosed. Also, the community leader and factory workers referred to the MNC as 'the Japanese firm,' unaware of its identity.

The additional interviews were held with people from a neighboring community, the textile factory's director and the community leader, who all helped to unravel different aspects of community life and perspectives on foreign business. The interviews held with people from the neighboring community especially helped to strengthen the study's external validity (i.e. its generalizability) (Yin, 2002) with regards to existing social capital. (A table containing the interview contributions can be found in Appendix B.) Throughout the weeks of fieldwork, I also engaged informally in conversations with expatriates and local people engaged in social enterprises, who gave their take on rural community development, helped me to better grasp the functioning of communities, and gave me valuable insights into the Vietnamese culture.

Where possible, I held the interviews in people's houses, as to benefit from an atmosphere of trust, which encourages people to talk freely (Taylor & Bogdan, 1998). Interviews on average lasted between 30 and 70 minutes, and were all conducted with the help of two research assistants: Ms. Ngô Phương Nhi and Ms. Tina Trương.[20] Not only were these research assistants invaluable for translating and helping to shape the interview questions to be befitting to the interviewees, but they were also crucial for pre-establishing contacts with local communities, which helped to establish my credibility as both a person and as a researcher to the people in the communities (Chikweche & Fletcher, 2012). Contrary to business scholars Napier et al. (2004), who report that people in Vietnam are often unwilling to participate in research activities, I experienced during the course of this study that every single person approached was willing to participate. Furthermore, the women spoken to did not fall into the stereotype description by previous studies as being docile, socially reclusive and not prepared to share their opinions (e.g. Banerjee & Duflo, 2007; D'Andrea et al., 2006), but rather struck me as open and confident (Chikweche & Fletcher, 2012).

Notes reflecting the interviewee's answers were taken instead of recording them, a method argued to stimulate the openness and honesty of interviewees (Van Tulder, 2007). The interviews were held within a time span of 27 days, spread out over 12 community visits. In the early stages, the interview guide was characterized by a broad set of questions, the refinement of which was accomplished through analyzing the emerging data. Analyzing data during the research process

[20] Ms. Nhi is currently pursuing a study in English and comes originally from a developing rural area. As such, she is very knowledgeable about the day-to-day life of rural communities. She also is aware about the struggles common for people from these areas, which surface in her case through the efforts required to be able to pursue her study: in order to finance this, she spends around 70 hours per week on a 'side job': waiting and tending in an expatriate bar in Da Nang (where I in fact met her and asked her to participate in this research). Yet, she persists, with the prospect of a more prosperous life for both herself and her family. Ms. Tina, who was introduced to me by a colleague, is studying business and was born in an urbanized area. Having studied for three years in the United States, she is drawn by pursuing a career in human resource management, preferably through working at an MNC. At the same time, she is intrigued by the persisting poverty in her country.

helps the researcher to link existing data with devising strategies for collecting new, and perhaps better, data (Miles & Huberman, 1994). Certain questions which consistently led to either the same or unclear answers were removed or modified, and made place for more specific questions concerning other aspects of the research aimed on gaining a deeper understanding of those aspects. The interview process did not start with a presumed set of answers, but rather took note of patterns emerging through objective analysis of the conversations held (Narayan et al., 2000). This was done in part to counter Gilgun's (2010: 7) – who writes extensively on qualitative research – observation that 'researchers are subjective, fallible human beings who are full of biases and favorite theories.'

Additional data were gathered through ethnographic observations, augmenting the interviews. The sites of research were continuously observed before, in between and after conducting interviews. Field notes were taken on site and photos were shot capturing the scenes visually. These data served mainly as a contextual enrichment, easing the process of devising the finding and analysis (Taylor & Bogdan, 1998). Additional data were also captured through the interviews: 'unexpected information' that did not quite fit the interview guide (Daniels & Cannice, 2004: 201), but proved useful for the general development of the BoP discourse.

Based on their research experiences at the BoP, business scholars Chikweche and Fletcher (2012) developed a general procedure for conducting research at the BoP (see Appendix C). This procedure has been utilized for the operational aspects of conducting and preparing the fieldwork stage of this research.

***3.3.2 Data analysis.*** Themes and patterns were uncovered in the interview transcripts through a process of systematic content analysis. A methodology common in the social sciences, content analysis can be broadly understood as 'any methodical measurement applied to text (or other symbolic material) for social scientific purposes' (Shapiro & Markoff, 1997: 14). The reading and subsequent coding of the transcripts brought forward reemerging patterns which were connected to the posed research questions and this study's main theoretical concepts. Codes, here defined as 'tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study' (Miles & Huberman, 1994: 56), were assigned to different chunks of data. In order to improve this study's construct validity, which refers to the correctness of this study's accounts (Yin, 2002), the resulting narrative has been reviewed by my research assistants. As the data had been recorded through notes instead of verbatim recordings, the transcripts were already

condensed, leading me to use the tools available in common word processing software to engage in the data analysis.

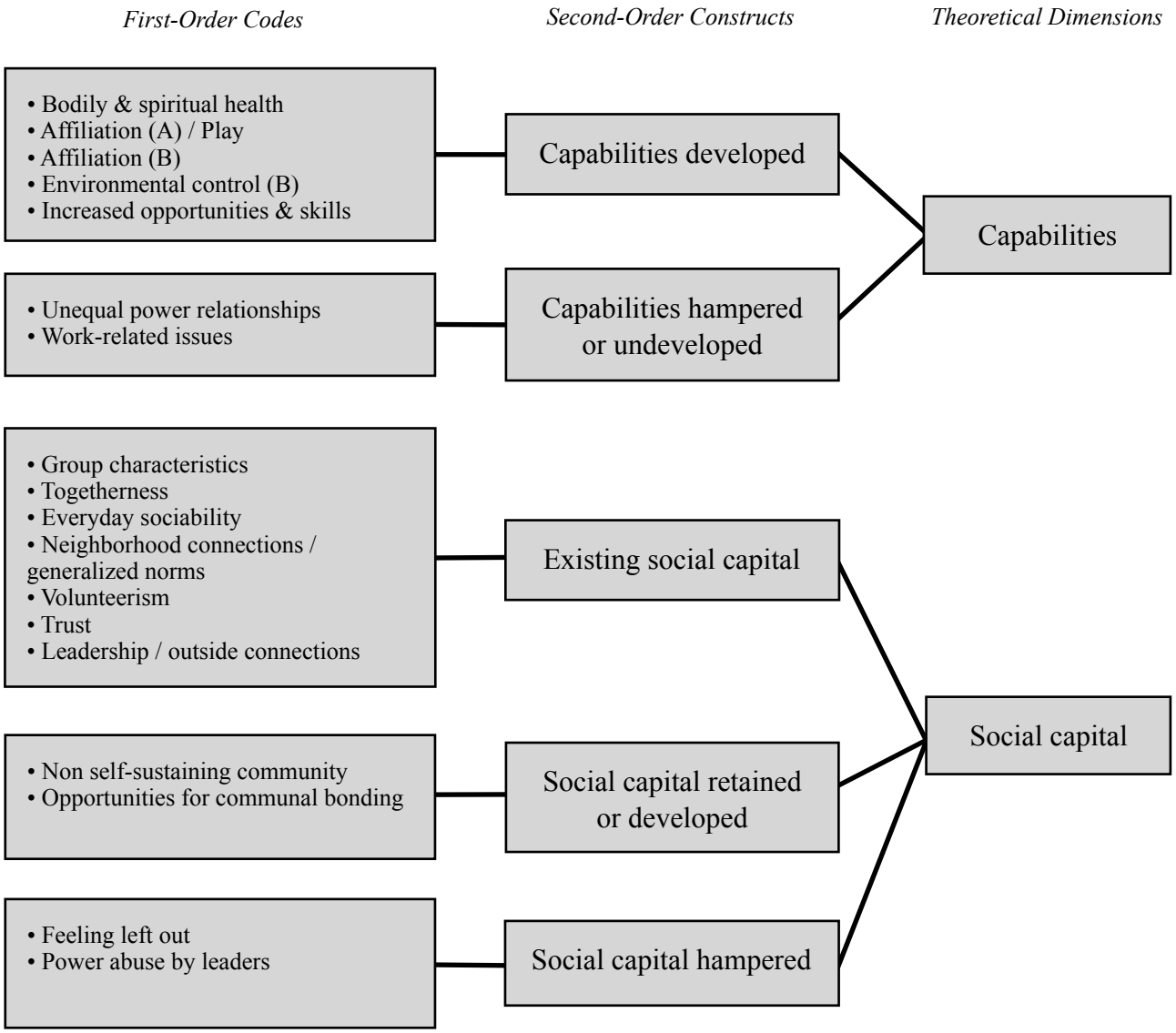
The coding of the data was done through a three step coding process. The first step comprised creating codes through a process of open coding (Strauss, 1987), grounded in both the theory of Chapter 2 (the code terminology has largely been either borrowed or modified from this theory), in which the operationalization of capabilities and social capital has the largest share, as well as in the emerging processed data. For instance, when deciding on the definite set of codes around the theoretical construct of 'capabilities,' the interview data showed considerable overlap between the codes *affiliation (A)* ('being able to live with and towards others, to recognize and show concern for other human beings, to engage in various forms of social interaction') *&* *affiliation (B)* ('having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others') and *play* ('being able to laugh, to play, to enjoy recreational activities'). This overlap turned out to be present due to the similar character between the '(A)' part of 'affiliation.' Hence, 'affiliation A' and 'play' were merged into one. Similarly, for the theme of 'social capital,' I derived in an early stage during the data collection process that interviewees spoke almost immediately about help offered during sickness, when I assessed helpfulness in the community. Therefore, the codes *neighborhood connections* ('ability of people to count on their community in times of trouble, related to health') and *generalized norms* ('the general helpfulness people experience in their community and the general feeling of trust towards others') were also merged.

The second step of coding comprised axial coding, used as a 'second pass' through the data (Strauss, 1987). Here I focused on the occurrent codes rather than on the raw data, clustering them together into meaningful constructs. Several of these constructs could be devised largely around codes grounded in the literature. For instance, for *capabilities developed,* all but one of the codes has been derived from Nussbaum's (2011) capability list – only *increased opportunities & skills* was added, a capability which can be derived, albeit perhaps indirectly, from the literature as well. Also, one of the codes the construct of *capabilities hampered or undeveloped* was constructed bore resemblance to notions made about exploitation by MNCs in GVC studies. The construct of *social capital retained or developed* proved to be theoretically unique. This construct has been clustered from first-order codes as they emerged from the processed data.

Finally, I engaged in selective coding (Strauss, 1987). At this phase the constructs were grouped into two major themes. As this study has been designed around two firm, pre-established

theoretical concepts, namely the Capabilities Approach and social capital, these two variables could indeed be established as this research's major themes, or in Miles and Huberman's (1994) terminology, 'theoretical dimensions.' Following the visualization of these three steps as conducted by Mair et al. (2012), a schematic overview emerged displaying first-order codes, second order constructs and the theoretical dimensions (see Figure 2) around which the following chapter has been build.

***Figure 2.*** Connections between the First-Order codes, Second-Order Constructs and Theoretical Dimensions



# 4 FINDINGS & ANALYSIS

The findings of this research detail the impact of this BoP initiative on capability development of the women involved and the social capital of the community. By first describing Hoa Son's existing social capital (see Table 4 for a sample of the data utilized to construct this section), the context is provided within which the answer to the research question pertaining to social capital ought to be seen. After this, the two research questions will be employed as lenses through which the findings and their analysis serve as answers. First, the findings will turn to a description of how the capabilities of the employed women are affected (see Table 5 for a sample of the data utilized to construct this section). Then, the point of focus will zoom out to assess the effects this initiative has on the collective: the community as a whole and its social capital (see Table 6 for a sample of the data utilized to construct this section). Throughout the chapter qualitative analytical techniques – i.e. using quotes and statements from the available interview data – combined with findings from secondary sources, are utilized.

## 4.1 Hoa Son's Social Capital

Hoa Son's existing social capital can be described by looking both at its bonding social capital and at its bridging social capital, hereby dividing the second order construct 'existing social capital' in two sections. The bonding social capital will be primarily described by assessing the dimensions of social capital as described by Narayan and Cassidy (2001) in the previous chapter, whereas the bridging social capital mostly delves into the intermediary role of community leaders between the community and the outside world.

***4.1.1 The ties that bind.*** Hoa Son's community life is tight-knit. With people's doors often open, there are little boundaries between one's house and the neighborhood. During interviews, it occasionally happened that neighbors would walk in the house out of curiosity, or would leap through the windows, listening in on the conversation. People express their sense of community togetherness in affectionate ways, with a woman saying that 'the neighbors all love each other,' or a man admitting, 'I could not live without my neighborhood, I need my friends here.' Neighborhood volunteerism is something which all who are physically potent participate in and includes cleaning the church, improving the quality of the roads and decorating the neighborhood in case of a holiday. Each person in the neighborhood participates around seven to eight times per year in such activities. Everyday sociability translates in playing card games together, talking with each other in cafés,

jointly watching television or, for the men, drinking together. The remainder of the time outside of work however, is in most cases spend with one's family.

Beyond the communal sociality, collective care-taking presents itself in a number of ways. During the holidays, people will collect money to support the ill and those people unable to meet their basic needs. Also, most interviewees detailed how people support each other in times of sickness. Help is offered both spiritually (e.g. through talking and comforting) and materially (e.g. by lending money for medicines or giving them, or offering transport to the hospital). Although likely to ask family first, non-family members can often also be counted on when it comes to look after one's sick child, in case of temporary parental absence.

Formal groups in Hoa Son are almost non-existent. For instance, there are no sports clubs or groups centered around creative expression, such as art groups. The only formal group existing in Hoa Son is the Catholic church, with the majority of the community being a member. The church serves for one as spiritual support for the community. Without exception, people strongly articulated the importance of the church for their state of mind, explaining that the Masses help with feeling safe and secure, finding support in times of personal or family trouble, making them feel stronger, and differentiating between right and wrong. Also, the church serves as an important meeting place for the men and women among their respective gender groups, with the men attending the early morning Mass, and the women attending the Mass later in the morning, taking along their children.

A man summed up Hoa Son's community bonding with the following statement:

> Everybody here always looks after each other. Most importantly, this happens in a spiritual sense. When there's sickness, we help. We take care of that person, lend money for medicines, bring them to a doctor. If somebody's house breaks down, we help. If repairing costs are too high, skillful people from the neighborhood lend a hand. Of course I trust everybody in my neighborhood; I trust them for a 100 percent. [21]

Regardless of strong expressed sentiments regarding community cohesion, some people did make mention of inequality within the community, evidenced for instance by the notion that some people who were well-off by community standards, would not let their children play with those facing considerable poverty. Although in this case it did not surfaced as strongly as in, for example, Arora and Romijn's (2011) accounts on communal caste differences in India and how these strongly

[21] Ms. Nhi perceives this strong sociality among neighbors pragmatically, maintaining that strong, near-located friendships are important, as people fear that they might not get looked after in case of illness or death. Being looked after in the event of death is in Vietnam of equal importance to being looked after in case of illness. The animistic practices lead people to believe in reincarnation, the favorability of which, among other factors, is determined by one's burial rituals.

influence communal life, it is important for to realize that communities, beyond their closeness, also have a certain heterogeneity which not always manifests itself in a positive way.

Equality between men and women is rather strong, with many women expressing that they feel equal to their husbands. This also surfaced throughout the actual undertaking of the interviews: women, also in the presence of their father or husband, in most cases did the majority of the talking and freely ventilated their opinions. In contrast to afore discussed scholarship describing rural BoP women as socially reclusive and docile (Banerjee & Duflo, 2007; D'Andrea et al., 2006), or research detailing the hardships rural women in Bangladesh are facing with regards to autonomy and property rights (Mair et al., 2012), the women in Hoa Son seem to be in a considerably better position. Also, although alcoholism among men is present, strong alcoholic abuse is scant in Hoa Son.[22] When asked about the occurrence of domestic violence in their neighborhood, people were unaware of this or noted that it was rare, with a group of women saying that it occurs in 'maybe one or two families out of the 100 that we know.'

***4.1.2 Access to the world outside.*** Although in Hoa Son the church plays an important role in bridging social capital, most commonly the leaders, or 'elites,' of a community function as brokers who connect their community to NGOs, governmental bodies and other entities. These parties may use these elites as entry points into a community (Arora & Romijn, 2011). Thus, these leaders form a focal point in the bridging social capital of community members. Hoa Son is governed by a democratically chosen leader, who serves two-and-a-half year terms. At the time of our conversation, this leader was serving his third term. Hoa Son's leader oversees nine sub-leaders, who all take responsibility of a separate neighborhood. About his function, he gave the following explanation:

> I manage the people, know how many people live in the community and how many per family. Via the leaders under me I determine whether there are people among them who are really poor. I will collect money from the people living in the community and provide it to them. [...] I've responsibility for taking care of how to develop this community's economy. Many people work in the industrial area, which is some distance from here. I'm responsible for developing the roads, the land and houses. To this end, I attract money from sponsors. These can be individuals, rich people such as famous football players, the government and aid-organizations.

[22] Among the households I visited, I encountered once what appeared to be a case of strong alcoholic abuse, however. A woman expressed the severe strain her family was under, as her husband spend half the household budget on wine and spirits, leaving too little money for the woman to sufficiently provide her children with a well-balanced diet, as eggs and milk became too expensive.

Through this explanation, in words, and through the nonverbal manners this leader expressed himself, an almost father-like affection towards his community was displayed. The above quote, at the same time, also shows the great extent to which influence and responsibility is centralized in one person within this community.

The leader's sub-leaders, or neighborhood leaders, assume responsibility of day-to-day operations. A woman explained how her neighborhood leader collects opinions from the people about their needs, who subsequently shares them with the highest community leader, who then passes them on to those institutions which can provide aid, such as governments and NGOs. Also, these neighborhood leaders serve as an intermediary party in the applications for jobs, and for land- or housing contracts. For instance, if someone wants to enter formal employment, this person needs proof of community membership and a recommendation regarding his or her qualification, which both are to be provided by the neighborhood leader. Contrasting with the at times considerable power abuse reported in the literature (e.g. Arora & Romijn, 2011), people in Hoa Son in general spoke highly of their leaders, expressing that they 'make the community safe and secure,' 'equally distribute aid from authorities,' 'are trustworthy' and 'help with problems.'

The community leader feels strongly about the importance of being linked to the world outside, especially with respect to job creation. As he expressed:

> The foreign help is very important. It creates stable jobs, which is especially important for women. This is very important here, as many of the men work seasonal – often as farmers or as stone cutters. Because of that, they cannot earn an income year-round. Also, many firms from the industrial area do not hire men over 35.

***Table 4.*** Data Displaying 'Existing Social Capital'[23]

| Group Characteristics | Togetherness | Everyday Sociability | Neighborhood Connections / Generalized Norms |
|---|---|---|---|
| **1.1** The catholic church is the most important group in my life. When something bad happens with me or my family, I can pray in the church. It makes me feel stronger. (Woman, factory worker) | **1.5** The neighbors all love each other. (Woman, factory worker) | **1.9** People here spend a lot of time together and engage together in activities; from looking for jobs to spending leisure time together. (Woman, factory worker) | **1.12** During the holidays people collect money to help the poor and sick. People look well after each other. When people really need help, others are ready for them. (Woman, factory worker) |

[23] The numbers of the quotations of this table and the subsequent ones do not necessarily refer to separate people; between the different constructs the data may be derived from the same interviewee. Within a construct, however, the quotes are mostly deducted from different people.

| | | | |
|---|---|---|---|
| **1.2** I became a Christian recently. I'm part of the church. Becoming a Christian learned me the difference between right and wrong, and it also helped me to get to know the people in the neighborhood. (Woman, factory worker) | **1.6** I feel that there are strong bonds here: people spend a lot of time together and engage together in activities – from looking for jobs to spending leisure time together. (Woman, factory worker) | **1.10** We go together to the church. Weddings, anniversaries, funerals. It not so often happens that we play cards together, or drink together, as we work a lot. However, during work there is the chance for us to be sociable with each other. We often share our ideas and opinions then. After work, mostly spend time with our families. (Men, farmer & handymen) | **1.13** When for example your kids are sick, people will always borrow money to get medicines. The community bond is strong, we can share our problems with each other in the neighborhood. (Woman, factory worker) |
| **1.3** I am a part of the Buddhist religion. It helps me to relax and relieve stress. (Woman, factory worker) | **1.7** There are not so many fights and quarrels here, if there are, they have to do with bad behavior within children. (Men, farmer and handyman) | **1.11** After work, people may play cards with each other. But often, they just spend time with their families, watching TV for example. Sometimes, multiple families watch TV together. It's okay for neighbors to walk into each others houses. (Women, housewife, farmer, garbage collector) | **1.14** In times of sickness, people will always help. They help with money as well as with spirit. (Woman, factory worker) |
| **1.4** We are members of the church. We would like to be part of a sports club, but you do not have them here. We believe in Christ, this helps us for comfort. Everyday we go to the church, early in the morning. We talk to Christ about difficulties in life. (Men, farmer and handyman) | **1.8** People get along well, they do not really fight about anything. Domestic violence rarely happens. We know of two families where that happens. We feel equal to our husbands and feel that we can take part in decision making. (Women, housewife, farmer, garbage collector) | A man walks in the house and takes a chair. Men, women and children leap through the windows to see what is going on. The interviewee seems undisturbed by this. (Observation, interview with woman, factory worker) | **1.15** People always help each other here. For example when people are sick, they help in the form of money or spiritual support. Both family and friends help. (Woman, factory worker) |

| Volunteerism | Trust | Leadership / Hierarchy |
|---|---|---|
| **2.1** We clean the church together, and also work to improve the quality of the roads with each other. Each person in the neighborhood does this around seven or eight times per year. In case someone is busy, he or she will try someone else to take his or her place. (Men, farmer and handyman) | **2.3** I trust my family a 100 %, neighbors for 90%, companies for 30-40%, as they often do not keep promises. The government... I'm afraid to talk about the government, but I trust them in a 'neutral' way. The local leader, a we have a lot of trust in him as we voted for him. (Woman, factory worker) | **2.6** People here are valued the same. But this community has a leader. The people from this community voted for him as our leader, as he is considered trustworthy. (Woman, factory worker) |

| | | |
|---|---|---|
| **2.2** We work to repair the road together. Once a year normally. This year we created a channel together, to lead more water into the farmland. It is expected that everybody in the neighborhood helps out. If people are too busy, they are fined as compensation. The leader co-ordinates these processes. (Women, housewife, farmer, garbage collector) | **2.4** We trust our government for 60-70%, our community leader 60-70%. We do not trust our leader very much, although we voted for him, but compared to others he is the best. Foreign firms we trust for around 50-60%. (Men, farmer and handyman) | **2.7** Under the community's highest leader is a sub-leader. He manages activities, applications for jobs, contracts for land or housing. For example, if you want to work somewhere, you need proof that you live here and that you are qualified. The leader provides evidence for this. He also arranges food and money for people when it is really needed. I'm happy to have this leader: he can help with problems and uncertainties. He makes the community safe and secure. (Woman, factory worker) |
| Men are sweeping the floor of the church. When asked, they say that they are keeping the church clean voluntarily. (Observation, walking through the neighborhood) | **2.5** We trust our family 100%, the neighbors 70-80%. Other neighborhoods, we are more aware about them. The local leader, he is very caring so 80-90%. (Women, housewife, farmer, garbage collector) | **2.8** The leader helps in collecting opinions from the people here, who brings them then to the highest community leader and he then shares this with governmental organizations. (Woman, factory worker) |
| | | **2.9** I manage the people, know how many people live in the community and how many per family. Via the leaders under me I determine whether there are people among them who are really poor. I will collect money from the people living in the community and provide it to them. [...] I've responsibility for taking care of how to develop this community's economy. Many people work in the industrial area, which is some distance from here. I'm responsible from developing the roads, the land and houses. To this end, I attract money from sponsors. These can be individuals, rich people such as famous football players, the government and aid-organizations. (Man, community leader) |

Author's primary data (2012)

## 4.2 Working at the Factory

The community leader's words above reflect the importance of women in Hoa Son having a stable job. Many of the local jobs are uncertain and unstable by nature, and as such can lead to strong anxiety within families: fear for being unable to send children to school, or provide them with proper clothing and nutrition; the pressure on women to serve the dual-role of mother and full-time income generator. The capability development of especially women thus seems to be under pressure. This section describes how work at the textile factory has impacted these women's

capabilities by looking first at possible positive implications these jobs had on their capability development, while then turning to several possible negative implications or ways in which the textile factory job does little to foster capability development.

***4.2.1 Capability development.*** Due to the requirement of great physical strength and the long working hours, some of Hoa Son's local jobs can take a significant toll on one's physique. Often lacking health insurance, these jobs also miss a highly necessary safety net in case of illness. The relatively small strain the jobs at the textile factory exert on one's body is therefore very welcome. Equally welcome is the health insurance offered, which is deemed 'very important' (quotation 3.3) and 'gives a feeling of safety' (quotation 3.1). Further, many of the jobs these women previously held had working hours which at times ranged between 12 and 14 hours per day. As working weeks often comprise seven days per week, such jobs leave little time for any meaningful social interaction, or even going to the church Mass on Sunday. As expressed by one of the women, 'I did not have the opportunity to take decent care of my child' – a statement which in many interviews surfaced in one form or the other. As for her current situation, one woman, who before worked in the industrial area explained the importance of this job to her as follows:

> Before I worked in the industrial area. The salary was the same, but due to distance and long working hours, I could not take proper care of my children. Now I can.

Further, many women expressed a rise in their self-confidence now that they with greater ease could adhere to both the role of mother and of income generator. 'I feel more comfortable and self-assured now that I can earn my own money' and 'I can support my family; it makes me feel responsible' are some of the remarks being made about the changes this job brought to the women's sense of self-confidence and identity. To this end, it is also helpful that the working environment is generally seen as respecting towards its employees. As one woman shared, 'when I make a mistake, there is no anger or yelling, but the mistake is explained in a calm and friendly way.' Another indication surfaced through one woman troubled by health issues. Due to this, she was unable to work full-time, rendering her unable to take part in the existing job market. Regardless of her health issues, she could work at the textile factory, which accommodated to her needs by giving her the possibility to work part-time.

Regardless of the relative short duration of the job's training sessions[24], several women expressed that the job increases their future opportunities and possibilities. The skills gathered were said to be an attractive resource in case of finding another job. Also, within the working environment there are opportunities for those willing to pay their dues. Even some of the women who were less satisfied with the job, admitted that through hard work anyone has the chance to make career, elevating themselves to positions offering a better pay and more responsibilities. One woman, pregnant of her third child, expressed some entrepreneurial opportunities flowing from her gained skills, stemmed from her desire to combine decent maternal care with working:

> Maybe, when I have my baby, I will buy a sewing machine myself and set up shop from the house. That way, I could work and at the same time take care of my little baby.

***4.2.2 Hampering, or not developing capabilities.*** Many of the women spoke highly of their job at the textile factory, although among them some expressed some points of critique.[25] Some, however, were disappointed with the job in its totality. To what extent these sentiments expressed are always valid, reasonable or generalizable, is not clear. It is important however, at the very least for the sake of argument and theoretical development, to take notice of them, as they could hamper capability development, or in any case do nothing to foster their development.

Some complaints regarding the job were expressed in a way that seem to address concerns about the unequal power relationships between MNCs and local communities (Kaplinsky, 2000; Gereffi et al., 2005). For instance, several women detailed how at some stage the MNC made an incorrect, too large order. After employees finished this order, they were subsequently paid the salary reflecting the 'correct' order. Obviously, this made the women feel 'mistreated' (quotation 4.1). In addition, some women are unsatisfied with their salaries, expressing that these do not sufficiently contribute to their household's accumulated income. Moreover, one woman claimed that the actual salaries were lower than initially promised, therefore making several employees 'want to leave again.' However, when I cross-checked this with several other women, satisfied about their salary, they held that these complaints were rather due to lack of a hard work ethic, maintaining that hard work at this factory leads to a fair, or even a good salary. However, these

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[24] Depending on the existing skill levels of the women, the length of training for the several factory jobs takes between three and seven days.

[25] Naturally, it has been my goal throughout conducting all of my interviews to establish an as truthful, objective and well-balanced view as I could. In order to reach this ideal, one of the things I always did was, when introducing myself, to make very clear who I was. Namely, a Dutch graduating business student, independently operating and in no way affiliated with the factory, Vietnamese government, or any other institution related to the people or their community.

latter remarks deserve a word of caution. For an individual it is possible to rise above the pack, but for the collective it is obviously not (Stiglitz, 2012). Those who are not sufficiently gifted to work very well, should still deserve to earn a salary which allows them to hold their head above the water. This did not always seem to be the case in this textile factory.

Other negative sentiments were expressed about the work itself. Some women felt marginalized by the work set-up, feeling that the system in which some women work on a time-based salary, and others product-based salary, is unfavorable to those working product-based, as 'those who get paid per time do not have the incentive to work fast, so those who get paid per product are worse off because we are all dependent on each other' (quotation 4.8). The final points of critique are aimed at the actual work, being that it is perceived as mundane, and not always felt to be in line with one's educational skills. As a woman who finished 9th grade secondary school claims:

> This job does not require too many skills, we just got some training days from the factory. So it is not exactly fitting to the skills I got from my education.

Although the positive sentiments outweighed the negative sentiments, this does not render these negative sentiments obsolete or meaningless. Rather, it is important to point them out as both potential pitfalls of which MNCs need to be wary, but also as opportunities MNCs can benefit from. On the one hand, the accumulation of stepping in such pitfalls can hamper capability development, hence decreasing the chances of success of a BoP venture. But on the other hand, realizing that people perceive a job as being below their educational skills, indicates that there are opportunities to pursue with regards to engaging people from the BoP in more complex and higher value adding activities within the supply chain.

### 4.3 Influence on the Community's Social Capital

From the findings described so far, it seems that this BoP venture contributes to the capability development of most of those directly involved. But as these women's personal capabilities are in a way tied to the wellbeing of their community as a whole, it is of equal, if not greater importance to determine the influence this project has on the social capital of its community. Now, looking beyond the development of capabilities, one could say that a BoP venture is 'successful' when a

***Table 5.*** Data Supporting 'Influence on Capability Development'

| **Capabilities Developed** | | | | |
|---|---|---|---|---|
| **Bodily & Spiritual Health** | **Affiliation (A) / Play** | **Affiliation (B)** | **Environmental Control (B)** | **Increased Opportunities & Skills** |
| **3.1** Health insurance is given by the factory. This is valuable to me because it gives me a feeling of safety. (Woman, 'sewer') | **3.6** I think this job gives me more freedom, as I can take better care of my child, since the job is close to my house. (Woman, 'sewer') | **3.11** Before I stayed just home with my child. I feel more comfortable and self-assured now that I can earn my own money. (Woman, 'sewer') | **3.16** The biggest advantage of this job for me: they accepted me regardless of my health. (Woman, 'order checking') | **3.21** I think, if you work here for some time, skills can improve, and you can grow into better positions. (Woman, 'team leader') |
| **3.2** Before I was cutting stone, heavy work. Now I have a better salary and more comfort. My health is better and I now also have health insurance. (Woman, 'sewer') | **3.7** Before I worked industrial. The pay there was higher, but this was offset by the high transport costs of getting there. Also, I didn't have the opportunity to take decent care of my child. (Woman, 'quality assurance') | **3.12** My self-respect increased. With the income I can support my family. It makes me feel responsible. (Woman, 'order checker') | **3.17** I believe the boss treats me with respect and fairly. (Woman, 'quality assurance') | **3.22** I am getting experience from this job; it learns me to be careful and thorough. (Woman, 'quality assurance') |
| **3.3** The health insurance I'm getting is very important. (Woman, 'quality assurance') | **3.8** Before, I worked at the industrial area. That is too heavy for women and too far. Now I enjoy my job; it's easier than my previous jobs. And I can also be home on time. (Woman, 'team leader') | **3.13** The stable income helps to send my child to school and supports my family. Self-respect has increased, as I can contribute to supporting my family. (Woman, 'quality assurance') | **3.18** I feel respected by my boss. (Woman, 'team leader') | **3.23** Maybe, when I have my baby, I'll buy a sewing machine myself and set up shop from the house. That way, I could work and at the same time take care of my little baby. (Woman, 'quality assurance') |
| **3.4** Now my life feels a lot more certain; I still have fluctuations in my salary, but less than before, and this is a job suitable for women, for their physique. The environment is fresh and clean. (Woman, 'quality assurance') | **3.9** Before I worked in the industrial area. The salary was the same, but due to distance and long working hours, I could not take proper care of my children. Now I can. (Woman, 'quality assurance') | **3.14** The salary helps me to provide for my family, which makes me feel proud. (Woman, 'team leader') | **3.19** Before I worked in the industrial area. The boss was a foreigner, who did not understand the local culture. Here the owner is Vietnamese and kind. (Woman, 'quality assurance') | **3.24** It learns me the necessary steps to fabricate textile products, so it helps me to improve my working skills in this area which might be useful for future jobs. (Woman, 'sewer') |
| **3.5** It's fine, the working environment is clean and healthy. I like the most that it is near my house. (Woman, 'sewer') | **3.10** I prefer to work here in the textile factory, I feel more happy here, because I love to do my job. Previously, I had to work for 12-14 hours per day, seven days per week. Now I also have time for leisure activities. (Woman, 'sewer') | **3.15** Thanks to the income, I can help my family, this makes me feel good about myself. (Woman, 'quality assurance') | **3.20** When I make a mistake, there is no anger or yelling, but it is then explained in a calm and friendly way. (Woman, 'sewer') | **3.25** By hard work, I can get promoted within the job. This is important for me, growing and receiving more responsibilities. I believe that there are equal chances for the people in the factory to accomplish this (Woman, 'sewer') |

| Capabilities Hampered/Undeveloped | |
|---|---|
| **Unequal Power Relationships** | **Work Issues** |
| **4.1** Workers here get paid per product order we collectively fabricate. One day there was a wrong order made by the foreign company and we fabricated it, but we did not get paid for it. This made us feel mistreated. (Woman, 'sewer') | **4.7** Also, workers are given only one skill, which can make the work feel boring. (Woman, 'sewer') |
| **4.2** Also one time there was a wrong order made by the company, we made the order, but did not get money for it. So they don't treat us fairly. (Woman, 'sewer') | **4.8** I feel disappointed, since we as workers are all dependent on each others work speed for producing orders, and I work faster than my co-workers. So I feel the other workers should work longer to keep up with my speed. (Woman, 'sewer') |
| **4.3** Further, I think the salary is too low. The idea of this project was to help the people in the area, so initially everybody was very happy to work here. The promised salaries were high. In the end, the salary ended up a lot lower than promised. So that's why some people want to leave again. The salary is too low to sufficiently feed a family. (Woman, 'sewer') | **4.9** But the workers are not always treated fairly. Some workers get paid per time, others per product. Those who get paid per time do not have the incentive to work fast and therefore those who get paid per product are worse off because we are all dependent on each other. (Woman, 'sewer') |
| **4.4** However, depending on function and their husband, some women had to quit this job as the salary was not enough to sustain their lives and family. (Woman, 'sewer') | **4.10** It's boring work, but I do not know how to change it. I think it does not reflect my educational level, I am capable of doing more than this. (Woman, 'sewer') |
| **4.5** What I like the least is the salary, I think it should be higher. As the country's inflation rates are high, I feel that it is not sufficient. (Woman, 'sewer') | **4.11** It does not give me more opportunities for other jobs. (Woman, 'sewer') |
| **4.6** The most important thing is health insurance. I am paying for it now, but the factory has still not made it official. So that is something which leads to feelings of uncertainty. I cannot change this. (Woman, 'sewer') | **4.12** Because of my education, I am capable of doing more. (Woman, 'order checking') |
| | **4.13** This job does not require too many skills, we just got some training days from the factory. So it is not exactly fitting to the skills I got from my education. (Woman, 'quality assurance') |

Author's primary data (2012)

community's social capital is retained, or even somehow developed or build[26], or otherwise leveraged. The success of a BoP venture, however, is doubtful when it corrodes social capital (see the aforementioned concerns by scholars in Chapter 2). The following findings give an insight in the extent to which Hoa Son's social capital appears to have been influenced by this BoP venture, and contain some views on how in general, the social capital of a community could be influenced by a BoP venture such as this one.

[26] Ansari et al. (2012) summarize the factors that generate social capital as 'time,' to build trust; 'interdependence,' embeddedness of an individual in a network; 'interactions,' to generate norms of reciprocity; and 'closure,' to create a sense of identity.

***4.3.1 Social capital retained, developed and leveraged.*** First off, some of the described developed capabilities could also be interpreted as fostering the development of social capital. For the women who were formerly employed in 12-14 hours per day, seven days per week jobs, their new jobs sees them now, besides being able to take better care of their children, able to partake in church Masses, as well as in (shared) 'leisure activities' (quotation 3.10), allowing them to become more engaged with their community. In addition, most women said, when asked about the responses they got from their friends and family on their factory job, that these were mostly positive. People questioned who were not employed at the factory, or had no family or relatives employed, shared these positive sentiments and did not express any concerns about a foreign firm basing itself directly within their community.

Throughout the interviews, it became quickly clear that many of Hoa Son's people believed that their local job opportunities were not sufficient to ensure the survival of their community, with a man claiming that 'development needs to come from outside, because we cannot handle it ourselves.' Statements likes this echoed through nearly all the interviews and point towards the existence of the before discussed poverty cycle. Not different from needs in more developed societies, people first and foremost expressed a strong demand for stable jobs in their community, and whether this job is offered by 'a local firm or a foreign firm does not matter' (quotation 5.6). Those persons informally employed in jobs as handyman or seasonal stone cutters, are often not so by choice, but rather because it is often their only viable option. Their age, or their education, might prohibit them from being eligible for stable employment in the industrial area (jobs which themselves are already not very desirable), and as such, are forced into jobs of an uncertain nature. It might be true that, at times, people from communities address each other's needs in the informal economy (Ratner, 2000), but it is questionable whether this is always desirable by the people themselves. It is further questionable whether these informal jobs are always sustainable, evident from the following concern expressed by a woman from the community: 'the stone cutting gets less as the amount of stone decreases.'

One man, himself employed in a number of little, informal jobs, expressed his view regarding this as follows:

> If foreign companies come here, I wish they would create job opportunities, so that we do not need to go, for example, to the industrial area. Since a lot of people are unemployed or have many little informal jobs, we think that it does not harm local work opportunities. When people here are cutting stone, they do this because they have to, not because they want to.

What are the implications of these statements with regards to the community's social capital? First, one could infer from them that the replacement of an existing, informal economy – although having perhaps a deteriorating effect on the bonding social capital – may very well be necessary for the survival of a community, or at least may contribute to a better living standard. Second, it shows that parties from outside the community are perceived to be a necessary instrument to the perceived survival of the community (ideally entering through a local partner; see Box 2), displaying a demand for stronger, more extensive bridging social capital.

***4.3.2 Social capital negatively influenced.*** Although scant, evidence indicating several ways in which a community's social capital could be damaged by foreign business intervention did emerge. Although this did not resonate with statements from other interviewees, one woman shared some concerns about the fact that, when a project such is this is promoted as a way to aid the people of the community, some people might wonder why this 'aid' is not directed towards them. As she explains,

> What I do know is that some people are concerned that they are not being helped by the factory. They wonder why, since the factory was started to help out the community. In the end, only people with a certain level of pre-education were hired. This could cause problems in our society, as people might feel left out.

Even though this statement proved itself 'extreme' throughout the course of the data collection, it is for the sake of theory development important to take notice of: when a MNC establishes establishes itself in a community and when it does so under the credo of 'aiding this community,' it might leave a considerate amount of people out of the equation – some due to considerations of age and education.[27] Even in this particular case 'only people under 40 are hired as they are better educated than the older people' (quotation 6.1). After all, it is often nor desirable, nor feasible, for a an MNC to create a business venture which 'absorbs' a community *in its entirety*. So in case of, say, creating employment opportunities, people will be left out, which may lead to anxiety and unrest among certain people and hence disturbing the social capital of the community.

On a related note, Arora and Romijn (2011) describe several community related factors which can shape BoP ventures. Among these are intra-community inequalities, which influence the

[27] How many people benefit from a BoP venture will indeed depend on the nature of the venture. For instance, the installment of water purification filters in rural communities (Prasad & Ganvir, 2005) is aimed at a community in its totality. The BoP venture as described in this study however, aims its effort on a limited amount of people, even when one takes in consideration how the potential positive effects of this venture may trickle down the respective families of the women employed.

people's capacities to capture any (economic) opportunities offered by a BoP venture. As community 'elites' may control the flow of information from external parties into the community and vice versa, this may enable community leaders to present their private interests as the community's interests, allowing community leaders to seize development resources for their own benefit and that of their extended kin and network of friends. Doing this, leaders exclude voices of non-dominant members of a community. The implication of this is that intervention by MNCs can indeed lead to a negative impact on a community's bonding social capital: job- and development opportunities may get 'hoarded' by certain groups in the community (Portes, 1998), leading to greater intra-communal inequality. Ms. Nhi, indeed, told me at some point that 'a leader can sometimes directly push their direct relatives or friends into the jobs companies offer.' This matter of concern is confirmed by Hoa Son's community leader:

> I think in general the intentions of MNCs are good. But their purposes can be changed by local leaders, as they can be corrupt, giving the job opportunities only to their relatives. That is something you should realize. I am not so much concerned with trusting foreign firms, as long as they provide decent work opportunities, I am happy. But there can be corruption within local leaders. To combat this, it may be an idea to involve, for instance, religious leaders as well in a foreign-led business venture, as they may be more trustworthy.

The implication hereof is thus, that firms should have a clear image about the position of a leader in a community and his or her integrity, if they are not to contribute to social disturbance by stimulating communal inequalities with unequal distribution of the resources and opportunities they inject in the community.

***Box 2.*** Leveraging Unusual Partnerships in the BoP

A considerable amount of literature highlights the value of engaging in local partnership when conducting business at the BoP (e.g. George, McGahan & Prabhu, 2012; Rivera-Santos & Rufin, 2010a, 2010b). While most of these works describe local partnerships at the BoP as collaborations with local businesses, the government or NGOs, this study shows that businesses may also enter communities through less obvious local partners. Where a lack of trust often manifests itself towards formal institutions in developing areas (Narayan et al. 2000), religious entities, by their nature, are more likely to create a sense of faith and trust among those within their sphere. Truly embedded in a community, and hence often forming a pinnacle in its social capital, these religious entities may also have valuable insights into what comprises a certain community's actual needs and understand the complexity of a community's heterogeneity and its possible implications. Hoa Son's Catholic church exemplifies this. By building on local insights and needs as defined by the local people, this institute has been of great importance in the establishment of this BoP venture.

***Table 6.*** Data Supporting 'Influence on Social Capital'

| **Social Capital Retained or Developed** | |
|---|---|
| **Non Self-Sustaining Community: Outside Needs** | **Communal Bonding** |
| **5.1** I am fine with foreign companies entering here. I do not care how. The jobs they offer, well, most people are eager to learn anything that's necessary to work. They do not care as long as they have a stable job. [...] The biggest needs here are stable jobs. (Woman, factory worker) | **5.10** My friends are happy for me, especially now that I can work near my house. (Woman, factory worker) |
| **5.2** Hard for this community to develop by itself... The job opportunities offered within the community are becoming less. For example, the stone cutting gets less as the amount of stone decreases. We need outsiders for help. Local job opportunities are not sufficient for the survival of our community. (Woman, factory worker) | **5.11** My friends are happy for me as my income is stable now: I have income both in wet and dry season. (Woman, factory worker) |
| **5.3** I do not think this community will get really developed: the land is poor in quality, and there is not that much to do besides cutting stone. Many people are waiting for a chance to work in the industrial area, even though it is far away. The biggest needs in our community are stable jobs. (Woman, factory worker) | **5.12** It helped a lot for the people here: both for their spirit and because now they have a job. Spirit because they are less do not spend too much time working and having therefore now time for their children and neighborhood. (Woman, factory worker) |
| **5.4** For our community... I believe it is positive that this factory creates jobs for the women, especially those women who have children, because it makes it easier for them to get a job now. (Woman, factory worker) | **5.13** My friends are happy for me. It is near my house, and suitable for women who have children. (Woman, factory worker) |
| **5.5** I am happy that this factory brings comfortable jobs for the people. I am not sure if it could bring any negative things. [...] For this community, the biggest needs are stable job opportunities. (Woman, factory worker) | **5.14** How do I feel if some people would through the foreign firm get a higher salary than others? I think that that would be no problem. In my experience, people look after each other well, so the wealth would be shared. (Man, stone cutter) |
| **5.6** About foreign firms entering this community I feel happy because they can offer jobs with stable incomes. Stable income is considered to be very important here. Also, outsiders will look more favorable on this community when foreign firms enter. [...] My ideal is to have a stable job. Whether it is from a foreign or local company does not matter. (Man, stone cutter) | |
| **5.7** Development needs to come from outside, because we cannot handle it ourselves. (Man, stone cutter) | |
| **5.8** I do not see any negative effects of foreign firms establishing themselves here. They always bring positive things. However, this factory is small, just 100 people. It could scale up to meet the needs of more people. As educational skills are quite low in the area, this job opportunity is very helpful for people. (Man, community leader) | |

| Social Capital Retained or Developed | |
|---|---|
| **Non Self-Sustaining Community: Outside Needs** | **Communal Bonding** |
| **5.9** If foreign companies come here, I wish they would create job opportunities, so that we do not need to go, for example, to the industrial area. Since a lot of people are unemployed or have many little informal jobs, we think that it does not harm local work opportunities. When people here are cutting stone, they do this because they have to, not because they want to. (Men, farmer and handyman) | |

| Social Capital Hampered | |
|---|---|
| **Feeling Left Out** | **Power Abuse by Leaders** |
| **6.1** What I do know is that some people are concerned that they are not being helped by the factory. They wonder why, since the factory was started to help out the community. In the end, only people with a certain level of pre-education were hired. This could cause problems in our society, as people might feel left out. [...] In our case, only people under 40 are hired as they are better educated than the older people. This is not fair. I do not know whether this can cause to real problems as the young will still respect the older people, but it is not fair. (Woman, factory worker) | **6.2** I think in general the intentions of MNCs are good. But their purposes can be changed by local leaders, as they can be corrupt, providing the job opportunities only to their relatives. That is something you should realize. I am not so much concerned with trusting foreign firms, as long as they provide decent work opportunities, I am happy. But there can be corruption within local leaders. To counter this, it may be an idea to involve, for instance, religious leaders as well in a foreign-led venture, as they may be more trustworthy. (Man, community leader) |
| | **6.3** A leader can sometimes push their direct relatives or friends into the jobs companies offer. (Woman, research assistant) |

Author's primary data (2012)

## 4.4 Concluding Remarks on Findings & Analysis

When a researcher immerses him- or herself directly in the study context, insights can be gathered which are unattainable from literary resources. This especially holds true when the context comprises an impoverished community, and the researcher originates from a first-world nation. Simply setting one step in these communities can already provide a range of new perspectives. Visiting these communities allows one to actually 'sense' the dynamics within the community as well as in the lives of the people, giving insights quintessential to conducting research on this topic. To have a woman tell that her husband spends more than half of the household budget on wine and spirits, differs greatly from reading a statement such as 'the poor may spend a significant portion of

their money on alcohol.'[28] To allow people to bridge the gap between such theoretical statements and their aligned rough realities, a business scholar such as Michael Gordon (2008) urges business schools to send their MBA students on field research trips to BoP locations, or an economist such as Esther Duflo strongly promotes taking economics out of the lab and into the field to grasp the causes of poverty and means to eradicate it.[29] The mental foundation that one can build by engaging in direct conversation with the people *in the field*, sheds a different light on the trains of thought running through one's mind, and can serve as a surprisingly good antidote to the Western-flavored assumptions that many people (subconsciously and unwillingly) make about poor people in developing countries. One of these assumptions is even directly tied up to the term 'poor' people: several of the people questioned in rural Vietnam considered themselves by no means poor, which initially came as a surprise. As an excerpt from my field notes reads,

> In searching for an impoverished community, I've found what I'm looking for. People here are certainly not starving, but conditions are barren, to say the least. Several houses constitute of three or four rooms which are mostly empty, save for a TV. What people earn per day, they have to spend. Little or practically no valuable opportunities to pursue here for people.

After finding this community which I perceived as poor in its totality, this explanation from one of the women working at the factory, 29 years of age and mother of one, nuanced my perception of poverty:

> Rural life is just the way it is. There are little differences between people, so I don't draw any comparisons with others which can make me feel poor. Maybe this is different for city people since there are big differences in the cities. Differences between people make people care about being rich or poor. [30]

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[28] Although in a strict technical sense one's factual knowledge may not increase by 'experiencing' such a 'fact' over merely reading it, both the impression and impact it makes through experience are obviously more intense, and as such, more valuable. On a related note. To quote from David Foster Wallace's 2005 commencement speech at Kenyon College: 'Probably the most dangerous thing about an academic education – least in my own case – is that it enables my tendency to over-intellectualize stuff, to get lost in abstract argument inside my head, instead of simply paying attention to what is going on right in front of me, paying attention to what is going on inside me.' With a subject so complex and broad as the BoP, pondered over and discussed by such a great number of bright minds from such a wide variety of academic disciplines and academic institutions, losing myself into abstract argument inside my head at times became common place; immersing myself too extensively in literature, reading too many facts, statements and opinions. To go out into the field then, and hear and feel and absorb what was going on around me, got me back in touch with 'reality,' helping to connect and place all of those theoretical dots floating around in my mind.

[29] See Duflo's TED talk (http://www.ted.com/talks/esther_duflo_ social_experiments_to_fight_poverty.html) to get an idea of how she suggests to effectively research poverty.

[30] With this statement this woman effectively echoes research findings by neuroscientists such as Fliessbach et al. (2007), which details how humans are animals of comparison, and how this can have deteriorating effects on humans' happiness.

This statement is sensible, and it fuels the thought that it might be time to reflect on our uncritical usage of terminology like 'bottoms,' 'bases,' and 'pyramids' (Arora & Romijn, 2011), and perhaps indeed as well on a dichotomous term such as 'the poor.' One may say that talking in these terms assumes a global human hierarchy (Arora & Romijn, 2011), the desirability of which is questionable at best and which may give birth to exactly those fears expressed by scholars in the introduction chapter: perceiving the BoP as merely an untapped consumer market, or as a cheap labor opportunity. If that perception prevails, fruitful capability development among people or consideration of the social capital of communities may not become a reality from the side of global businesses.

# 5 DISCUSSION

This research comprises, to the best of my knowledge, the first on-the-ground evaluation of a BoP venture through the Capabilities Approach and the concept of social capital. By employing these schools of thought in a practical way, this study's case of the textile factory can be empirically seen in the light of the capability development of those directly involved and its influence on the community's social capital. This research thus empirically bridges business-centric research on the BoP with research in development and sociology. I will now elaborate on how my findings can further the BoP debate with regards to capabilities and social capital, whereafter I will turn to the research limitations and possible avenues for future research.

## 5.1 Understanding MNC Influence on Capabilities

The Capabilities Approach measures wealth by focussing on what people are able to do and be, or what comprises their 'substantial freedoms.' This study has at least two implications regarding capability development in impoverished communities through BoP business ventures.

First, BoP ventures can contribute to the empowerment of people and help them to reshape their identity. As Simanis and Hart (2008b) argue, the value MNCs can bring through their BoP ventures should not rely on increasing material consumption, but be rather in the realm of intangible assets. This includes gaining people's trust, helping to reshape their identities and contributing to a sense of belonging to a community – all kickstarts to personal development and growth. Providing employment opportunities to people who were previously unemployed, or had undesirable jobs, can form a big leap towards personal development. For several of the women working in the textile factory in Hoa Son, often young mothers, their identity could through a decent job be reshaped towards something which embeds both motherhood and the ability to contribute to the household income. This in turn could turn out to have positive implications for the community as a whole and especially the younger generations, who could benefit from both the chance to grow up in less poverty and an intensified parental upbringing. Yet, unequal power distance between MNCs and the BoP can still surface in several ways in a BoP business venture, hampering capability development for some or all of the employees. For instance, in this case it seemed that some employees, who apparently were unable to rise above the pack, were unfairly marginalized in terms of their salary. Arguably, this is in the end undesirable for all parties involved.

Second, the BoP venture in this study shows a rather pragmatic way of addressing local needs and developing people's capabilities. While the jobs in the factory may not yet be on par with the educational skills of all the women employed, the attractive geographical proximity of the workplace combined with decent working hours and a safe and clean working environment, seem to contribute to capability development and made the job an attractive alternative to both local job opportunities, as well as (foreign) job opportunities in the industrial area. While this research does not suggest that local jobs are *always* physically demanding or undesirable or, it does suggest that it is sensible for impoverished people to have the ability to find employment in more desirable jobs which are initiated by an outside party. In this case, the aforementioned attractive characteristics of the textile factory jobs – which in more developed regions of the world are being taken for granted for already decades – seem to already contribute to capability development when compared to several of the local job opportunities.

### 5.2 Understanding MNC Influence on Social capital

The findings have two important implications for our knowledge about the existing social capital of BoP communities and how this social capital can be impacted by MNCs. The first implication is concerned with leveraging existing social capital, whereas the second addresses concerns regarding the indigenous nature of these communities.

First, it indeed appears that chances on BoP venture success increase when these ventures account for the embedded nature of social relations in BoP communities. Not only can this avoid a possible disruption of social capital, but it can also leverage the social capital that communities have build up over time (George, 2012). The Japanese MNC in this case jumped the bandwagon of an ongoing community initiative, injected this with business mechanisms, and hence created both a local production site for itself, as well as highly demanded job opportunities for a number of women in the community. By partnering with a locally embedded institution – the Catholic church – the firm could enter the community and respond to local needs. While the firm operates at an arm-length distance, this distance did not seem to have significant problematic implications for this project as the local church seemed to handle day-to-day operations in general effectively.

The second important implication addresses a concern from Arora and Romijn (2011). These scholars, besides heavily criticizing the BoP business discourse, *also* critically perceive the romanticization of BoP communities by several post-development theorists, who see these

communities as isolated and different from the 'world of global capitalism (by situating them as "non-market" and "non-corporate"),' assuming their forced submission into Western capitalistic market structures (Arora and Romijn, 2011: 498). The authors argue that this position is problematic, as by positioning these communities as purely indigenous, the assumption is made that these communities live and breathe by a set of norms and laws different from the rest of the world. Although this state of being purely indigenous might be a reality for some of the world's developing regions and communities, one should not perceive this as a generalizable fact, considering the rich variety of the 'world's socioeconomic base.' My findings for one show, regardless of the relative isolation of the visited rural Vietnamese communities, that market structures and corporations are present, even though people might not always be wary of this presence. Vietnam's *Doi Moi* [31], in fact, was initiated with the intention of integrating Vietnam in the global market economy. Although these reforms might not have trickled down to every community in the country (such as many of Vietnam's ethnic minority communities), they certainly trickled down to the Hoa Vang district.

The issue thus, seems to not always be whether a community's bonding social capital gets damaged by MNCs who impose unfamiliar market structures on the community, because these structures might already be in place. Also, the concerns do not always have to be directed at the replacement of informal economies, informal jobs and local job opportunities. Those informally employed, may not desire this, and this might hold equally true for formal local job opportunities in the form of heavy industrial labor. Still, concerns regarding social capital and community functioning remain grounded when it comes to imposing *unfamiliar* social norms and structures on a community (or when a community's hierarchical set-up is skewed and corrupt, as highlighted in the findings by the words of Hoa Son's community leader). With regards to this I would like to refer back to the starting point of this study, which made a pled for the importance of gaining a thorough understanding in a community's characteristics and needs. Business scholar Grace Ann Rosile (2008: 789) gives an example of what may happen when this understanding lacks, based on a personal conversation between her and activist and author Ivan Illich,

> Illich studied the history of the problem and discovered that before we White folks went in and 'improved' conditions by establishing orphanages, any orphaned child was taken in by some relative or neighbor, and it was considered their honor and privilege to do so. There were no orphanages, and none were needed. Once they were introduced, they rapidly became overcrowded, and the nursing staff overburdened, as the social norm changed

[31] Doi Moi (in English: Renovation) refers to the economic reforms initiated in Vietnam in 1986 which aimed on creating a socialist-oriented market economy.

> and 'society' created this new institution (the orphanage) to take in orphans. Thus, a solution in one culture actually created a problem that had not previously existed in another.

This importance of understanding community- and local dynamics is, and will probably always remain, a very important objective practitioners will need to adhere to. It will always be a balancing act to make sure that a certain intervention in a community, whether this is initiated by business, an NGO, or any other kind of 'outsider,' will in the end help the social welfare of this community – by responding to an actual need.

### 5.3 Research Limitations

The relevance of this study's findings and discussions are preliminary in several regards and have to be seen within the context of their limitations. To start with, the theory built here is based on a single case. This study would have had more weight if it has originated from multiple cases, especially based in markedly different BoP settings and dealing with BoP ventures of a markedly different nature. Also, one has to bear in mind that case study research in essence always tells a story, and storytelling is never neutral. The narrator always directs attention to some features of the world rather than to others (Nussbaum, 2011). The possible bias this could lead to is strengthened by the full reliance on research assistants in translating the interviews. This constructs a barrier between researcher and interviewees, and could lead to having important nuances getting lost in translation, both when asking the questions, as well as when receiving the answers.

In addition, while face-to-face interviews are considered ideal for getting in-depth responses (Daniels & Cannice, 2004), I spent relatively little time with the people included in the study. This does not allow one to develop any level of rapport with people, probe any area of interest in true depth, or double-check stories (Taylor & Bogdan, 1998). Longitudinal research might have led to additional, important findings, or would perhaps have debunked some of the inferences I based on my relatively short get-togethers with the people. Research of a longitudinal nature is especially important as the long-term social value of business initiatives in the BoP is difficult to evaluate and often unclear (Ansari et al., 2012).

## 5.4 Possible Avenues for Future Research

The BoP concept has gathered considerable momentum over the past years. Although its basic premise (firms can contribute to poverty alleviation in a financially feasible manner) is understood, the key terms, research questions and research methods related to the field are as varied as the notion of what actually constitutes the BoP (just those living in deep poverty or also those still meeting their basic needs) and what the tools are firms can apply to contribute to poverty alleviation (selling products or making the BoP part of their production chain). Hence, one could say that by nature the BoP proposition constitutes an umbrella concept, one still in the 'emerging excitement' phase of the life cycle typical of an umbrella concept (Hirsch & Levin, 1999). The way towards the 'validity challenge' phase in this life cycle, leaves ample opportunity for future research. The suggestions for this future research can be discerned in those which are directly related to the findings of this study, and those which are more general in nature.

***5.4.1 Research opportunities related to this study.*** First, future research could aim its focus at BoP communities embedded in different socioeconomic and cultural contexts. Rural Vietnam, in general, finds itself on the higher end of the BoP living standard scale (Kasturi Rangan et al., 2011). Interesting therefore, could be to assess whether social capital plays a markedly different role within communities facing poverty of a deeper level, and how this social capital could henceforth be influenced, or leveraged by MNC intervention. In line with these differences of socioeconomic nature, interesting inferences could also be made in cases which culturally strongly differ from rural Vietnam. The caste based societies of rural India (e.g. Arora & Romijn, 2011), or the strong institutional voids in the markets of Bangladesh (e.g. Mair et al., 2012) could provide interesting starting points to determine this.

How different types of work can influence the capability development of individuals, and how they can influence them among different groups of people, could also be interesting to assess. The jobs in the factory are still of a relatively low skill level and are geared exclusively towards women. How do jobs of more complexity influence the capability development of individuals, and how do groups within BoP communities who stand in a relative strong position, such as young men, perceive their capability development fostered by foreign BoP ventures?

***5.4.2 General research opportunities.*** Regarding BoP research directions which are more general in nature, a pressing matter which requires investigation is the impact of poverty alleviation on environmental sustainability. Hahn (2009) notes that scarcity of natural resources does not allow BoP development based on current Western models, which holds true considering that if everybody on the world were to live and consume like, say, an average American, the resources of roughly three to four earths would be required to sustain this lifestyle (Simanis and Hart, 2008b), in which case 'the planet is doomed' (Stiglitz, 2010: 122). Developing countries often have high developmental ambitions. The Vietnamese government, for instance, set forth an ambitious objective to turn the nation into an 'industrialized country' by 2020 (Truong et al., 2010), and foreign firms fostering consumerism will likely play a role in this objective. Hahn (2009), however, also mentions the positive relation between development and a decrease in population growth. Besides this, one could imagine how job creation can render the need for people engaging in environmentally harmful jobs, such as illegal logging, obsolete.

Another departure point for interesting future research could be the impact of the country-of-origin of an MNC on the success of a BoP venture, following on the research of the Japanese business scholar Sugawara (2009), in which he argues that Japanese firms are better equipped for conducting business in the BoP than their Western counterparts. Factors that supposedly contribute to this fertile base for BoP success, are that Japanese firms are in general characterized by having a 'long-term business perspective,' a 'strong sense of mission' and a 'steadfast philosophy.' It could be interesting to research this claim about the frequency of Japanese BoP success systematically, employing a cross-country research design in which the BoP project 'success rate' of firms from different countries are compared to one another.

Finally, already in the early 2000s scholars (e.g. London & Hart, 2004) pled for the need of bottom-up business creation by leveraging local strengths and knowledge in the BoP. Although this need might sound intuitive, systematic research looking into the drivers of success or failure of these bottom-up types of initiatives versus top-down initiatives – 'do ideas that emerge from and integrate with the local context have better chances of adoption or success than those planned elsewhere and subsequently imported into a resource-limited setting' – is still largely absent from the literature (George et al., 2012: 664). Qualitative, in-depth research could be deployed to untangle the relationship between the nature of these initiatives and their success.

# 6 CONCLUSION

Through combining BoP business scholarship with literature on poverty, value chains, social capital and capabilities; drawing on scholars ranging from economists to anthropologists, and applying the thereby gained insights on an empirical case study, I set out to contribute to the increasing establishment of a more, perhaps, balanced view on the BoP. Thus, I hope to have been able to provide some hold for MNCs who are, or are intending to, conduct(ing) business in the BoP.

Still, this research is open-ended in nature and does not intend to make conclusive inferences about whether MNCs can always play a meaningful role within BoP communities. Indeed, when taking into consideration the complexities of poverty and the heterogenous ways in which it manifests itself, one can do little else but admitting that an initiative such as described in this research can only offer a partly solution to the problem of global poverty. Rather, poverty ought to be tackled in a holistic way. NGO's, social enterprises, governments, inter-governmental bodies and for-profit businesses all possess their unique strengths and weaknesses in battling poverty, and hence, all have their unique role to play in its eradication (Crabtree, 2007).

Against that backdrop, it is both more realistic and practical to assess BoP initiatives in terms of 'this venture can contribute to eradicating poverty,' and be more careful about claims such as that they 'will eradicate poverty' or should 'play a leading role in poverty eradication,' as posited in the original BoP premise. Observing Vietnam, for instance, one can conclude that poverty alleviation can in fact be to a large extent accountable to state policies (Truong et al., 2010). Further, when equating BoP ventures with job creation, as has been done in this research, one has to bear in mind that most conventional forms of job creation are likely to be of little help for those particularly weak groups in the BoP: those who are disabled or severely ill, or the elderly.

With regards to this study, I conclude that one of the traditionally more vulnerable groups in the BoP, women, could strongly benefit from ventures such as this textile factory initiative, even though the focus of this research constraints the generalizability of its findings. The point, however, is not whether Hoa Son community and its BoP venture is representative of other marginalized communities (and their BoP ventures), but what this community can tell us by looking at it through the lenses of the Capabilities Approach and social capital. Specifically, it shows that a BoP venture can stimulate capability development through rather pragmatic measures: taking in mind geographical proximity for commuting, offering decent working hours, providing a safe and clean working environment. Measures such as these can serve as a great help to women in BoP areas as

they take pressure off the burden of their dual-role as mother and income generator, and hence contribute to the eradication of poverty (given that fair salaries are provided).

Furthermore, regardless of the findings pointing towards the community being highly tight-knit, little evidence surfaced of social capital being negatively influenced. As the women in Hoa Son were jobless, or had jobs which either were undesirable (industrial labor), unsustainable (stone cutting) or both, perhaps no informal economy of any significant value was to be replaced in this particular case (regardless, in general we must remain cautious of MNCs overpowering small-scale, local business). Furthermore, outsider help seemed to be often desired in helping to ensure the community's survival and is an important step in lifting people out of the poverty cycle. MNCs though, should be mindful on preserving a community's social capital in several regards. The findings of this study suggest that some community members may 'feel left out' when not being able to take part in a BoP venture, and power abuse by community leaders could lead to the distribution of benefits derived from the BoP venture to certain groups in the community, excluding others, thereby contributing to communal inequality. Leveraging existing social capital, ideally through a trusted embedded local institution, seems therefore to be the recommended course of action in countering these possible harmful effects on existing social capital.

This case, admittedly, is a preliminary step in assessing the social value of BoP enterprises. Yet, conducting research of this kind offers a fresh perspective on the Base of the Pyramid field, giving a better understanding in BoP ventures on-the-ground and as such, it provides a fertile foundation for new perspectives and future research regarding the question of how firms can shape their strategy and decision making in a way which is sustainable, responsible and aligned with people's lives.

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The photograph displayed on the cover page shows a water buffalo. The water buffalo symbolizes the strength and resilience of the Vietnamese people, especially in rural areas. The photograph displayed on page 44 shows Ms. Tina Trương (on the left), a 29-year old factory employee and her 2-year old son. Both photographs have been shot by the author on respectively 07-10-2012 and 17-09-12 in Hoa Son community.

# APPENDIX

## Appendix A - Photographs of Hoa Son Community

***Figure 3.*** The Textile Factory

Author's photographs (2012)

***Figure 4.*** Two Common Jobs in the Area: Processing Plastic (l) and Stone Cutting (r)

Author's photographs (2012)

***Figure 5.*** An Employee of the Textile Factory (l) and an Employee and Her Husband (r)

Author's photographs (2012)

## Appendix B - Interview Contributions

***Table 7.*** Types of Data Gathered and Their Sources

| **Unit Being Characterized** | ***Group Interviews (People): N=6*** | ***Individuals (People): N=21*** | | | | |
|---|---|---|---|---|---|---|
| | *2nd community (6)* | *Factory director (1)* | *Community leader (1)* | *Factory workers (12)* | *Non-factory workers (6)* | *Former inhabitant rural community (1)* |
| *Developing capabilities* | | | | ■ | | |
| *Bonding social capital* | ■ | | | ■ | ■ | ■ |
| *Bridging social capital* | ■ | | ■ | ■ | ■ | ■ |
| *Opinions on MNC intervention* | ■ | | ■ | ■ | ■ | |
| *Community development* | ■ | | ■ | ■ | ■ | |
| *Day-to-day community life* | ■ | | | ■ | ■ | ■ |
| *Hoa Son's community structure* | | ■ | ■ | | | |
| *Textile factory insights* | | ■ | ■ | ■ | | |

The gray squares link the types and sources of data (e.g. data derived from the factory director) to the different constructs as described in the current study (e.g. facts about Hoa Son's community structure).

## Appendix C - BoP Research Procedure

***Figure 6.*** Procedure for Conducting Interviews and Ethnographic Research at the BoP


Adapted from Chikweche and Fletcher (2012: 260)

The steps described here have been followed quite closely throughout the research process. One final point which I added in the last step, though, was sending my transcripts and data analysis to my research assistants to ensure their validity and correctness.

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