

Innovative Approaches to Address Poverty

The research on opportunities for multinational corporations (MNCs) at the base of the pyramid has become popular with the changes in people's mind in the 21st century. The paper analyzes the research of business thinkers that are interested in the world of the specific socio-economic group, the so-called "Bottom of the pyramid".

Building businesses aimed at the bottom of the pyramid promises to provide important competitive advantages as the 21st century unfolds [1]. MNCs still ignore this huge market where 65% of the world's population earns less than \$ 2,000 per year.

This is based on their belief that the population of the Third World has low income and won't spend money on luxuries, along with other reasons like corruption, illiteracy, poor infrastructure, unstable exchange rates and bureaucratic system.

MNCs may offer high quality products and services at a lower price to avoid shady dealers. Elimination of those who offer bad quality products and services can improve the quality of life. This will mutually benefit both parties: reduce poverty and increase sales.

The presence of MNCs' innovative and efficient operations in the developing countries doesn't mean next-day growth; it's a first step towards prosperity. Using multiple examples, the authors prove that the poor can too spend their income on luxury goods.

The paper is opinion-based supported by the real-life evidence: the possibility for MNCs to pursue profit-maximizing goals along with the use of innovative technologies and focus on cost minimization and rapid growth in the developing countries. The innovation strategy is aimed at serving the needs of those at the BOP and diminishing unemployment levels.

Higher profits can be achieved by leaving saturating markets of developed countries to meet the growing demand for inexpensive goods and services by lending and financing in the Third World. Based on the R. Vernon's product life cycle theory, the markets of developing countries are at the Stage One of the cycle, when new products are exposed to meet locals' needs [2].

The underlying theory on innovation of this paper is the innovator is associated with the early life cycle stages [3]. The research mentions the idea that relative scarcity of resources in existing markets increases the risk of remaining in those markets and increases the need to expand operation

into new markets, thereby reducing dependence on existing domains [4].

Cost-based competition is welcomed. Consequently, MNCs should also remember that goods involving locally abundant inputs are cheaper to produce than goods with locally scarce inputs. With the development of digital communication networks, the companies began their operations in developing countries, which reduces costs, creates jobs and, ultimately, increase the purchasing power of local consumers. In addition to the use of cheap labour, MNCs should seek new ways to improve performance. Model sharing is one of the ways: the poor do not buy a computer or cell phone; they pay for one-time use, while the return on investment in such infrastructure development is high due to expensive communication in those regions. The model can be attractive anywhere in the world, as new wireless technologies enable new business improvement and cost reduction.

The discontinuous innovation challenge involves environmental complexity and incremental innovation: bounded exploration, exploitation, reframing and co-evolution. This model is used to reduce uncertainty. Investing in common shares, following nations' best interest and risks avoidance is the proposed strategy for innovation managers. The MNCs can be successful when follow democratic principle of coordinating public interest and jointly planning the development of emerging markets. There is only general idea of innovation strategy that varies with organizations. This includes four stages: search, selection, implementation and capture [5].

The three types of market entry strategy are: first to market, market leaders and the fast followers [6]. Early entrants have more advantages of exploring and rewarding positioning, but less benchmarking opportunities. From the resource-based view, MNCs should encounter entry costs. The perception saying 'We've never done it before' is based on high risks involved along market and technical dimensions. When fast followers are too slow they may end up so far behind the learning curve they cannot recover [7]. Fast followers may not be innovative, but use pioneers' experience to strengthen their position.

The strength of the research is that it holds the idea that creativity is key to future development, as with innovation it provides competitiveness. Attaining competitive advantage and maintaining it through innovation is vital.

The main weakness is the authors talking about new ideas and implementations, not providing readers with exact details on how to apply further innovations. Alternatively, they show benefits of the MNCs entering markets of developing countries, proving those markets are a new source of increased profits, productivity, and new ideas. Another weakness is the disregard of the fact that the MNCs are still focused on their current markets while planning to enter new ones [8].

A further research can be made not only by academics, but also by the companies willing to bring up the living standards in the world's poor regions. Large enterprises should be informed of and involved in the process of innovation in terms of geography and demography. Communication networks can be channels for exchange of relevant information, marketing and distribution of low-cost goods and services.

The key message for innovation manager is whether 'it is worth the effort'. There is a pool of opportunities and it's a mistake to ignore multiple obvious benefits. Innovation managers should understand that the poor might have low incomes,

but the aggregate purchasing power of the poor population is very high.

A network of all entrepreneurs and MNCs who can exchange ideas and share similar values can be created. The main thing that unites them is innovation in developing countries' markets. Building culture and distribution of ideas is also helpful in innovation.

Success and rapid growth of first comers attracts more companies, for example through partnerships and joint ventures. Training sessions for managers of different levels will help understanding the value of innovation.

R&D strategy, enhanced communication, use of latest technology, support from local regulatory bodies and various aid agencies will help building infrastructure in isolated regions to open route for further market.

MNCs could set a yardstick, 'a new market-driven paradigm, for addressing poverty'. Adding to this point, cost-saving opportunities, untapped markets, new customers and real growth prospective and access to innovation are the potential hidden in the poor living standards.

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