



Entrepreneurship as a solution to poverty



Garry D. Bruton ^{a,b,*}, David J. Ketchen Jr. ^c, R. Duane Ireland ^d

^a Neeley School of Business, Texas Christian University, Fort Worth, TX 76129, USA

^b Sun Yat Sen Business School, Guangzhou, China

^c Lowder Eminent Scholar, Raymond J. Harbert College of Business, Auburn University, Auburn, AL 36849, USA

^d Conn Chair in New Ventures Leadership, Mays Business School, Texas A&M University, College Station, TX 77843-4221, USA

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ABSTRACT

Individuals living in poverty remain a critical issue. This special issue focuses on how entrepreneurship can help to solve such poverty. Rather than viewing those in poverty as a market for goods, the solution lies in understanding how to help those living in poverty create their own businesses. Ultimately, entrepreneurship among those in poverty will create a long lasting solution to their poverty. Herein, we initially examine the extant knowledge about entrepreneurship. We then examine where future research on this important topic should move. Finally, we introduce the five articles that make up this special issue. These five articles came from the initial 71 submissions and enhance our knowledge about entrepreneurship as a pathway to reducing poverty.

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1. Executive summary

Currently, 2.47 billion people in the world live in poverty with an income of \$2 or less a day. Unfortunately, the total population living in poverty is proving to be relatively stable, as indicated by the fact that the number of these individuals declined only from 2.59 billion to 2.47 billion between 1981 and 2008. This population has been recognized by scholars and business organizations as a large potential market for selling a variety of goods and services. Herein, we adopt a different perspective arguing that entrepreneurship offers a means through which people have an opportunity to break the cycle of poverty.

This article introduces a special issue focused on impactful scholarship that enhances our understanding about organizations and managerial practice by the poor as they establish entrepreneurial businesses. With over a third of the world's population living in poverty, entrepreneurship scholars have the potential to improve the lives of these individuals by building an understanding of how they can act as entrepreneurs as a foundation for improving their lives.

Although the entrepreneurship literature has historically shied away from issues involving poverty, not all business disciplines have shown such reluctance. Therefore, this article examines the existing literature in a variety of business disciplines on poverty as a means to develop our arguments. Entrepreneurship scholars have an opportunity to build on the rich research that exists as we move forward to explore the critical issues that remain about entrepreneurship and poverty. To build this understanding to date about entrepreneurship and poverty, we searched the *Financial Times* list of top business journals from January 2003 through January 2013. "Poverty" and "base of the pyramid" were our search terms. Eliminating those articles that we judged as non-relevant or not related to our topic generated 83 articles in the *Financial Times* list over the 10-year period. While 83 academic articles on poverty sounds impressive, this number is a tiny fraction of the thousands of articles published over the 10-year period. We classified these articles into three main categories of scholarship—entrepreneurship, management, and economics. Looking at these categories, it is clear that numerous rich topics for entrepreneurship scholars to investigate remain.

* Corresponding author at: Neeley School of Business, Texas Christian University, Fort Worth, TX 76129, USA. Tel.: +1 817 257 7421.

E-mail addresses: g.bruton@tcu.edu (G.D. Bruton), ketchda@auburn.edu (D.J. Ketchen), direland@mays.tamu.edu (R.D. Ireland).

To date, only the basic foundations of the understanding of poverty exist. Entrepreneurship scholars in particular need to ensure that strong theoretical foundations are drawn from the management literature. Similarly, from economics, entrepreneurship scholars need to draw on the extensive methods including experimental design that are employed.

This article introduces the special issue in the *Journal of Business Venturing* on Entrepreneurship as a Solution to Poverty. The five articles in this special issue are the outcome of the initial 71 papers received in response to this special issue's call. These articles represent a rich range of topics that we anticipate will stimulate additional work on entrepreneurship as a solution to poverty.

2. Introduction

Poverty remains a critical issue for a large percentage of the world's population. The World Bank defines the median poverty level for emerging economies as individuals living on less than \$2 a day; currently, 2.47 billion people live in this poverty around the world. Unfortunately, the total population living in this state of poverty is proving to be relatively stable, as indicated by the fact that the number of these individuals declined only from 2.59 billion to 2.47 billion between 1981 and 2008 (Chen and Ravallion, 2013).

From the perspective of entrepreneurs and current businesses, the world's population living in poverty appears to be a large potential market for selling a variety of goods and services. In this regard, Prahalad's work (2005) was ground breaking in that it articulated actions firms could take to serve the needs of the poor and generate returns on their investments in the process of doing so. However, we adopt a different perspective for the purposes of this special issue. Rather than focusing on the poor as a market for firms from mature economies, we argue that entrepreneurship offers a means through which people can break the cycle of poverty. Guiding this choice regarding the framing of this special issue is the conviction that impactful scholarship has the potential to positively affect societies and contribute to our understanding about organizations and managerial practice. Our view is that with over a third of the world's population living in conditions of poverty, entrepreneurship scholars should seek to investigate issues that encourage and sustain entrepreneurship among those living in poverty as a path along which to improve lives. Our hope is that this special issue will lay the foundation for such an investigation.

Historically, entrepreneurship research has paid scant attention to poverty. This inattention may have resulted from widely used definitions of entrepreneurship that do not appear to include poverty-ridden contexts. From Schumpeter's (1942) creative destruction through Shane and Venkataraman's (2000) focus on opportunities to create future goods and services to Rindova et al.'s (2009) notion of "entrepreneurship," entrepreneurship scholars have focused their work on high-growth, high-wealth-creation businesses in either established or new startups.

Another factor that has limited the investigation of entrepreneurship among the desperate poor is the lack of entrepreneurship scholars who live in and hence experience poverty conditions. Being grounded in settings of poverty facilitates the appreciation, understanding, and accurate interpretation of what occurs within such settings. Most entrepreneurship scholars come from the mature economies of North America and Europe, where poverty is not a central issue. Even those scholars who come from severely impoverished nations tend to live relatively affluent lives, making them less connected to poverty.

Although the entrepreneurship literature has shied away from issues involving poverty, not all business disciplines have shown such reluctance. Accordingly, we briefly examine the existing literature in a variety of business disciplines on poverty as a means to develop our arguments. Entrepreneurship scholars should build on the rich research that exists as we move forward to explore the critical issues concerning entrepreneurship and poverty. We then discuss the potential direction of future research in this domain. Finally, we situate the articles that appear in this special issue in the proposed streams of research.

Prior to presenting these materials, we are pleased to note that the *Journal of Business Venturing* received 71 papers in response to this special issue's call. The review process resulted in five articles being accepted for publication in the special issue. We present these articles to you partly with the hope that their content will stimulate additional work in this special issue's domain.

3. What do we know about entrepreneurship and poverty?

To establish what we know to date about entrepreneurship and poverty, we searched the *Financial Times* list of top business journals from January 2003 through January 2013. "Poverty" and "base of the pyramid" were our search terms. A total of 120 articles used these terms. We dropped 19 of these because they were cases (1 article), book reviews (2 articles), or the examination of scholarly issues around poverty was very limited (16 articles).¹ The result was 101 academic articles that examine poverty or base of the pyramid over the 10-year period. A deeper look at these articles revealed that many focus on poverty in North America or Europe; poverty in these areas is generally not at the desperate level of living on \$2 per day. We therefore excluded articles focused on North America and Europe. Doing so reduced the sample to 83 articles. Although this process may have overlooked an article or two, we believe we identified the vast majority of relevant work.

While 83 academic articles on poverty sounds impressive, this number is a tiny fraction of the thousands of articles published over the 10-year period. Not all of these journals contained equal coverage of poverty. Approximately half of all published articles

¹ *American Economic Review* also publishes selected AEA conference papers. These conference papers are not included here since they are not full articles but short proceedings papers.

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