



# Business efforts, opportunities, and limits addressing the poor: A Brazilian case study

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## KEYWORDS

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**Abstract** Businesses have many opportunities to foster sustainable peace. To illustrate the possibilities and limits of businesses reducing violence, we describe the case of ABN AMRO in Brazil and its social program in Novo Lino, one of the poorest municipalities in the country characterized by high levels of violence toward children. With ABN AMRO's support, Novo Lino was able to significantly improve the living conditions of abused children assisted by the social project and raise awareness of children's rights protection. However, despite the corporation's efforts, the project ended after ABN AMRO withdrew its financial support. This case study intends to stimulate discussion on the roles and possibilities of corporations in the social context of extreme poverty. We conclude that businesses need to adopt an integrated approach that simultaneously addresses the several factors related to extreme deprivation and reduces the likelihood of violence in situations of extreme poverty. © 2016 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

## 1. Business addressing the poor

Previous research on business and poverty alleviation has addressed the roles and responsibilities of corporations in society (Bies, Bartunek, Fort, & Zald, 2007; Fort & Schipani, 2004, 2007; Goodhand, 2001). We know less, however, about the possibilities and

limits of business in addressing the needs of the poorest of the poor in situations where it is costly and risky for business to get involved. The World Bank, using calculations of purchasing power parity, first defined the poverty line in 1993 as households living on less than a dollar per day.

We seek to contribute to the literature on business and peace by exploring the following question: What are the roles, possibilities, and limits of large corporations in promoting sustainable peace in very poor communities? According to the United Nations, sustainable peace is marked by the absence not only

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of conflicts but also of violence in all forms. Violence is defined by the [World Health Organization \(2016\)](#) as:

The intentional use of physical force or power, threatened or actual, against oneself, another person, or against a group or community, that either results in or has a high likelihood of resulting in injury, death, psychological harm, maldevelopment, or deprivation.

The definition of violence includes interpersonal violence at the family level (against oneself, children, partners, or the elderly) as well as within communities (acquaintance or stranger) and is divided into four modes: physical, sexual, psychological, and deprivation/negligence.

To discuss how and whether business can contribute to sustainable peace, we describe the case of ABN AMRO Real Bank (ABN AMRO) and its social program in Novo Lino, one of the poorest municipalities in Brazil characterized by high levels of violence toward children. With ABN AMRO's financial and technical support, Novo Lino was able to significantly improve the living conditions of abused children and raise awareness of children's rights protection. However, despite the corporation's efforts, the project ended after ABN AMRO withdrew its financial and technical support. We conclude this article with a suggestion of lessons learned from the case.

## 2. How business can foster peace in poor communities

### 2.1. Violence and poverty

Violence and poverty are intrinsically related. Poverty is widely believed to cause violence. The World Bank Development Report contends that "when state institutions do not adequately protect citizens, guard against corruption, or provide access to justice; when markets do not provide job opportunities; or when communities have lost social cohesion, the likelihood of violent conflict increases" ([World Bank, 2011](#), p. xi).

However, it is inaccurate to say that poverty causes violence. Though it is sometimes posited as a causal reason for violence, current research does not support the claim. [Sen \(2008\)](#) argues that claiming poverty to be responsible for violence is an oversimplification and that many other factors, including political, social, and cultural circumstances, explain the highly complex nature of violence.

One of the two reasons given for the link between poverty and violence is that, if the quest for material

resources is desperate, one might resort to violence in order to feed oneself and one's family. A second reason given is that areas with great poverty tend to have few jobs and that those without jobs are more prone to the overtures of those who wish to direct their ample time and unused energy for violent ends. Furthermore, contemporary communications allow even the very poor to see just how much more people elsewhere possess ([Fort, 2007b](#); [Fort & Schipani, 2004](#)). [Oxfam \(2014\)](#) concludes that it is impossible to eradicate poverty without eradicating violence, since violence is both the cause and effect of poverty.

### 2.2. Business in the context of violence and poverty

Eradicating violence and eradicating poverty are the greatest global challenges. Business can play a significant role in reducing violence and simultaneously reducing poverty. Fort and a colleague argue that ethical business behavior can lead to peace rather than violent conflicts ([Fort, 2007a, 2007b, 2007c](#); [Fort & Schipani, 2004](#)). For example, business can foster sustainable peace by engaging in initiatives that promote economic development, enhance the credibility and legitimacy of the rule of law, and contribute to a sense of community among the stakeholders ([Getz & Oetzel, 2009](#); [Oetzel, Getz, & Ladek, 2007](#)).

Business can help promote economic development and integrate the poor in the formal value chain, as suggested by [Prahalad \(2006\)](#) in his work on the base of the pyramid. Prahalad has challenged the assumption that the poor constitute a non-existent market for most businesses. There is profit potential if businesses can tailor their processes, packaging, and products so that goods and services become affordable to the poor ([Prahalad & Hammond, 2002](#)), although some skeptics have noted, not without validity, that selling products to the poor may simply exploit them ([Manikutty, 2010](#)).

There have been creative efforts to coax the poor into the market. The work of [Yunus and Jolis \(2003\)](#) helped to energize the boom of microfinance that advocated small loans to the poor, especially poor women, so they could enter the market. In addition, the work of [Sen \(1999\)](#) noted the importance of development in terms not only of satisfying material needs but also in removing barriers to human talents so that capabilities otherwise languishing under the violence of poverty could flourish.

Business can foster sustainable peace by enhancing the credibility and legitimacy of the rule of law, which includes international standards and codes of conduct. As [Prahalad \(2010\)](#) affirms, managers are custodians of the most powerful institutions and

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