

2008

Saint Vincent de Paul and the Mission of the Institute for Business & Professional Ethics: Why Companies Should Care about Poverty

patricia werhane

laura hartman, *DePaul University*

scott kelley, *DePaul University*

Saint Vincent de Paul and the Mission of the Institute for Business and Professional Ethics: Why Companies Should Care About Poverty

BY

PATRICIA H. WERHANE, PH.D., *Wicklander Chair of Business Ethics*

LAURA P. HARTMAN, J.D., *Research Director, Institute for Business and Professional
Ethics, Professor of Management*

SCOTT P. KELLEY, PH.D., *Assistant Vice President for Vincentian Scholarship,
Mission and Values
DePaul University*

“If we can find approaches that meet the needs of the poor in
ways that generate profits for business and votes for politi-
cians, we will have found a sustainable way to reduce ineq-
uity in the world.”

Bill Gates, commencement address at
Harvard University, 2007

In 1985 Brother Leo Ryan, C.S.V., then dean of the College of Commerce at DePaul University, started the Institute for Business and Professional Ethics, an interdisciplinary center jointly supported by the College of Commerce and the School of Liberal Arts and Sciences at DePaul. The Institute has an active corporate board, an executive director, two associate directors, senior visiting Wicklander Fellows, and assistants. Its original mission was and still is, “To encourage ethical deliberation among decision makers by stirring the moral conscience, encouraging moral imagination, and developing models for moral decision-making in business.”

The IBPE pursues various venues to support that mission. These include Wicklander research fellowships for DePaul Faculty, outreach programs on applied ethics for students and the community, the tri-annual Vincentian Conference in Business Ethics, coordination of undergraduate business ethics courses, sponsorship of lectures and student symposia, undergraduate scholarships, and various research projects in the broad area of business ethics and corporate responsibility.

Beginning in 2004, the Institute, at the prompting of its board, began to develop a value proposition and a strategic plan. To initiate these projects it did a benchmark study of United States academic centers and institutes

of business ethics, discovering that today there are literally several hundred such institutes and centers across the country. With two or three exceptions, the various centers and institutes had similar titles and missions, including DePaul's. Thus in 2006 the Institute worked to distinguish itself from other institutes and centers of business ethics while further aligning its mission with that of DePaul University, addressing social issues and focusing on the underserved.¹ This initiative was further promoted by DePaul's new strategic plan, Vision 2012.² As a result, the IBPE enhanced its mission to include *becoming a catalyst aimed to inspire companies to address poverty reduction both globally and locally through for-profit initiatives.*

There are many dimensions to realizing this mission including teaching, research, and community outreach, and the Institute is just beginning this lifetime set of projects. The connections between IBPE's revised mission and Saint Vincent's legacy run much deeper than a general orientation to address social issues or alleviate poverty. Saint Vincent's legacy provides a fruitful resource for thinking about how the poor are best served – especially his profound commitment to human dignity and his ability to allocate limited resources to meet real needs in a sustainable fashion. As an academic endeavor, however, the IBPE realized that first it needed to develop strong philosophical arguments justifying and supporting this goal. With that in mind we have developed a series of thought-provoking papers, and here we summarize some of this thinking.³

Contemporary literature on poverty often begins with a discussion of the common good. But what is the meaning of "common good" across economic, cultural, and religious difference? If Saint Vincent's commitment to serve the poor is to transcend its historical and religious context, it must have a "vernacular spirituality," a common starting-point or conceptual framework that is accessible to a culturally and religiously diverse audience. Saint Vincent's "informal path to holiness" merits significant attention in today's diverse world in which global poverty persists.⁴ With this in mind, we contend that the

¹ See "DePaul's Mission," available at <http://www.depaul.edu/about/mission/index.asp> (accessed 3 January 2008).

² See "Office of the President: Vision 2012," available at <http://president.depaul.edu/Vision2012/Vision2012.html> (accessed 3 January 2008).

³ Sections of this paper were extracted, with edits, from Patricia H. Werhane, Laura P. Hartman, and Scott Kelley, "The End of Foreign Aid as We Know It: The Profitable Alleviation of Poverty in a Globalized Economy," in *Alleviating Poverty through Business Strategy*, ed. Charles Wankel (London: Palgrave Macmillan, 2007 forthcoming), and from "Globalization and the Common Good" in *Frontiers of Business Ethics* (Oxford: Peter Lang, 2007, forthcoming) by the same authors. © 2007 by the authors. All rights reserved.

⁴ Jack Melito, C.M., "Vernacular Spirituality" in *Saint Vincent de Paul: Windows on His Vision* (DePaul University: 1999), 123-124.

common good, as a positive idea, does not meet the criteria of accessibility and is not an effective starting point. To the contrary, a focus on common “bads” is more within the domain of possibility. Our aim is to identify those conditions that preclude individuals and groups from living decently and even beginning to realize their potential. Our focus on the particular needs of the most deprived members of society rather than the abstract conditions of an ideal society, mirrors what is often referred to as “Vincentian Personalism.”

Traditional approaches to poverty alleviation focus almost exclusively on public sector projects and pure philanthropy rather than commerce, a profit-maximizing shareholder perspective.⁵ What might be called a “public goods” bias has trapped many into imagining that global poverty is endemic and unsolvable given the long history of failed attempts. As a result, a lack of innovative thinking constrains the evolution of practices that might otherwise have allowed considerable improvement of living conditions in countless communities.

The particular evils of economic distress cannot be reduced merely by public works or philanthropy but, counter-intuitively, and not impossibly, through commerce. So we shall begin from another perspective. Even if a diverse community cannot be clear about the common good, it can assume that there are some commonly agreed upon “bads.” These might include murder, torture, arbitrary imprisonment, harm to children, and so on. At least one other “bad” would be an absence of the satisfaction of minimum basic needs, however those are socially defined. So the lack of food, shelter, education, access to worship, ability to move through the community or enjoy opportunities afforded some members of that community, are all candidates for creating conditions that violate most standards of human dignity. In other words, abject poverty, locally defined, would be considered bad. These “bads” are the focal point of this essay. We contend that reducing poverty is a moral and economic imperative not merely for those in poverty but also for those who are wealthy. However, many commonly accepted solutions to abject poverty through public or philanthropic endeavors, for example, have often failed. We propose another mental model: profitable initiatives aimed at creating new markets, encouraging micro-entrepreneurial ventures, and providing living wage jobs in economically distressed communities. Such initiatives reduce poverty by serving unmet needs, helping to create a sense of dignity and self-respect for those now engaged in these projects, and expanding global economic well-being for future generations.

To shake loose from learned and traditional mental models concerning poverty and poverty alleviation, at least four insights are essential for

⁵ e.g. Thomas Dunfee, “Do Firms with Unique Competencies for Rescuing Victims of Human Catastrophes Have Special Obligations? Corporate Responsibility and the AIDS Catastrophe in Sub-Saharan Africa,” *Business Ethics Quarterly* 16 (2006):185-210.

new thinking: (1) the poor do not lack resources; (2) poverty alleviation is an evolving, dynamic process; (3) poverty often results from patterns of exclusion; and (4) many feasible approaches to poverty reduction have been and can be created through commerce.



Recycling garbage in Lima, Peru, as part of the project *Ciudad Saludable*.
Promotional image, online at www.ciudadasaludable.org

In support of the first insight, Albina Ruiz's project, *Ciudad Saludable*, demonstrates the profound creativity and initiative to be found among the poor. Using garbage to create jobs and clean the local environment in Lima, Peru, Ruiz is an entrepreneur in the truest sense of the term. Garbage has become an increasing problem in Lima, where 1.6 million people produce nearly 600 metric tons of garbage daily. Since the municipal authorities can process only half that much, garbage lines the streets, fills vacant lots, and clogs rivers, creating a significant health menace. Poor families scavenge through the trash to eke out a living. Trained in industrial engineering, Ruiz began to organize the community to create a positive alternative, knowing that the municipal authorities were unable or unwilling to address the problem. In collaboration with community members she encouraged micro-entrepreneurs to collect and process the garbage. For a collection fee of around \$1.50, which many are eager to pay for the service, *Ciudad Saludable* converts garbage into compost and other useful materials, creating jobs in the process. Ruiz's story was featured on a PBS documentary about social entrepreneurs titled "The New Heroes."⁶ It reiterates two important messages in poverty alleviation that Saint Vincent understood well: successful solutions can come from the poor themselves, and government is not always the best institution for addressing "public goods" like garbage disposal.⁷ Her discovery echoes Saint

⁶ Bonni Cohen, et al, *The New Heroes*, <http://www.pbs.org/opb/thenewheroes/meet/ruiz.html> (accessed 2 January 2007).

⁷ Albina Ruiz, "Changemaker," <http://www.ashoka.org/node/3718> (accessed 2 January 2007).

Vincent's firmly held belief that the poor have much to teach the wealthy.

With regard to the second insight, poverty alleviation (or the economic development that leads to that consequence) can be an evolving, dynamic, bottom-up process that requires frequent evaluation, modification, and adjustment. An example of bottom-up thinking is demonstrated by KickStart, a non-profit organization that designs and sells low-tech farming equipment like the *MoneyMaker irrigation pump*, which has helped many small farmers transition from subsistence farming into commercial enterprise.⁸ These small, affordable pumps make an impressive contribution to poverty alleviation. Felix Mururi, for example, is married with three children and lives in Kenya. He left his rural home for work in the slums of Nairobi, to little avail, earning \$40 month. Mururi discovered, however, that in the city he could make more money as a farmer and he decided to rent a plot of land and save money for the \$33 manually operated water pump. The increased yield from his single plot was so profitable, though, that Felix and his family now rent six plots, making a \$580 profit on two of them alone. They now plan to rent and irrigate another acre and eventually buy a house.⁹ For Mururi, increased access to water did not come from the public development of infrastructure, but from a simple \$33 pump.

Third, poverty is often the result of systematic patterns of exclusion. Without access to a timely, transparent, and structured system, the poor do not participate in the formal system that recognizes property rights. As a result, they are more vulnerable and more susceptible to exploitation. Muhammad Yunus discovered this problem with the poor women of Jobra, Bangladesh, who were systematically excluded from the formal banking sector and thus were unable to secure even the smallest loans to help with their micro-businesses.¹⁰

Our fourth insight contradicts many deeply held beliefs. For some, profit is a suspicious partner in poverty alleviation efforts. The socially conscious are often skeptical of business interests, considering well-publicized patterns of exploitation such as sweatshops. From a business perspective, poverty alleviation is often seen as tangential to core interests, and to the core competencies that increase revenue. Behind such skepticism, lies a counterintuitive question about the potential of the market to respond to these fundamental human needs.

⁸ Kickstart, "Micro-Irrigation Technologies," <http://www.approtec.org/tech/pumps> (accessed 2 January 2007).

⁹ Martin Fisher, "How a \$33 Investment Helped One Family Out Of Poverty," <http://kickstart.org/documents/HipPump.pdf> (accessed 2 January 2007).

¹⁰ Muhammad Yunus, *Banker to the Poor: Micro-Lending and the Battle Against World Poverty* (New York: 2003).

Today, many in the business community use a systems approach in talking about global corporate responsibility to the ecosystem, which is expanding to include the human element in a concerted effort to critique companies that use sweatshop labor. But the business community has thought far less about its responsibility to improve the conditions of those who are not recognized as primary stakeholders. This is shortsighted for at least four reasons.

First, the manner in which one operates within any community affects that community, positively or negatively. Second, there are enormous untapped markets at the base of the pyramid, as C.K. Prahalad and Stuart Hart have argued. Third, if there is a positive value to economic well-being (and, surely, living in abject poverty, however culturally defined, is a social evil) and in the economic growth needed to achieve it, then the potential market at the base of the pyramid is large. If companies are able to provide that market with affordable goods and entrepreneurial opportunities, both they and the poor can prosper. There is an important caveat to this claim, however. Unless these companies also provide living-wage work, there will be no new market development, since there will be no increase in customer purchasing power. Creating new markets and new consumers should, however, be sufficient motivation for global companies trying to survive, grow, and expand. Fourth, if companies recognize the value in creating new markets and consumers, they will be encouraged to remain vested in them for the long-term and therefore be appropriate and effective partners in creating sustainable solutions to the challenges presented by global poverty. Thus corporate and community interests can come together. Our argument is a mandate not for more corporate philanthropy, but for the coming together of corporate interests, their core ideologies linked to their core competencies while serving unanswered community needs.

There are a number of corporate initiatives focusing on profitable ventures with economically poor populations. For example, lack of access to clean water in many regions of sub-Saharan Africa is one of the greatest challenges to socio-economic development. Safe drinking water is in great demand for the more than one billion people at the base of the pyramid. The World Health Organization estimates that 2.2 million children die each year because of diarrheal diseases, which could easily be prevented by access to safe drinking water.¹¹ While large-scale infrastructure projects may be important in the long-term, the demand for immediate relief persists. Since it is the small, home-based water purification systems that have drastically cut deaths caused by diarrhea, Procter & Gamble designed PuR, a cost-effective water

¹¹ Procter & Gamble Health Sciences Institute, "Safe Drinking Water," <http://pghsi.com/safe-water/> (accessed 2 January 2007).

purification system that removes dirt and disease-causing pathogens from drinking water. Although Procter & Gamble provides PuR at cost through its Children's Safe Drinking Water philanthropic outreach, and uses the non-profit Population Services International for marketing, the local distributors must make a profit for sustainability and access. As local distributors have learned, consumers do not value free give-aways.¹² Procter & Gamble's involvement is not merely altruistic; with a positive brand image, new products for a billion potential consumers, and a proven high-volume, low-margin business model, it stands to increase its profit margins considerably.



The crowded housing conditions in the slums of Guadalajara, Mexico.
Public Domain

Cemex, a leading Mexican manufacturer of cement, is an example of a firm that seized an opportunity to create a new market for itself, and happened to help a particular low-income community build homes in the process. It is a prime model of a profitable partnership wherein all stakeholders are committed to the success of the venture through vested self-interest towards common and valuable ends.

About 2.5 million impoverished residents of Guadalajara, Mexico, live in extremely crowded and unfinished housing surrounding the city. These conditions encouraged Cemex to establish Patrimonio Hoy, a for-profit project that supports low income families (households with incomes of less than \$5 per day) in financing the building or expansion of their homes. "Imagine one room with ten persons living together, yelling and fighting all day long," says Israel Moreno, director and founder of the effort. "So the children are propelled out into the streets at a young age. What do they learn in the streets?"

¹² Procter & Gamble Health Sciences Institute, "Social Marketing of PUR Purifier of Water by PSI," http://pgshi.com/safewater/video_library.html (accessed 2 January 2007).

Vicious delinquency, theft and prostitution. If the first thing in your life is contact with the street, your future will be the street, with its related risks.”¹³

After careful study of the microlending methods of the Grameen Bank, Cemex realized that since it could take an average of thirteen years to finish building a small home, homeowners were discouraged by a lack of funding opportunities. “Their mental model is ‘we cannot do it, we cannot have a better life. This is my life, this has been my parents’ life, and this will be my children’s life,’” says Moreno. He and Cemex instituted savings groups of three “partners,” each with well-established rules to assist the partners to participate in the borrowing process; and Cemex advanced credit to the group on the basis of their degree of participation.

In line with the profitable partnerships concept, Cemex does not compete for partners’ purchases based on price. Instead, partners receive benefits of membership such as technical assistance, educational programs, guaranteed quality materials and delivery, guaranteed price freezes on materials, and free storage of materials, among others. “I prefer to invest in helping our partners discover ways to live a better life,” Moreno said. “I think that is a more responsible and intelligent way of doing business.”

As a primary consequence of the project, Cemex gains a foothold in a large and growing market segment – growth it could not achieve if it remained locked in a traditional mindset. According to Cemex’s own forecasts, the world demand for cement through 2010 is expected to expand by four percent annually in developing countries, as opposed to only one percent annually in developed countries. These growth statistics have supported expansion of the Patrimonio Hoy program at a current rate of 2,000 new households per month, serving a total of 150,000 families in forty-five townships, and unquestionably impacting Cemex in ways that outright philanthropic donations could not. The rate of cement used by low-income homebuilders has tripled, increasing from 2,300 pounds consumed once every four years, on average, to the same amount being consumed in fifteen months. By 2005 Cemex reported a profit of \$1.5 million and anticipated expansion into Colombia, Venezuela, Egypt and the Philippines.¹⁴ Moreover, when combined with additional funding from Mexico’s development ministry, SEDESOL, the program was able to triple the number of people served and significantly increase their home equity as a consequence of partner participation.¹⁵

¹³ Changemakers.net, “Enabling the Poor to Build Housing: Cemex Combines Profit & Social Development,” <http://proxied.changemakers.net/journal/02september/herbst.cfm> (accessed 2 January 2007).

¹⁴ Kay Johnson and Xa Nhon, “Selling to The Poor,” *Time Magazine* (17 April 2005), <http://www.time.com/time/magazine/article/0,9171,1050276,00.html> (accessed 14 July 2007).

¹⁵ Maria Letelier and Charles Spinosa, “The For-Profit Development Business: Good

Stunningly, Cemex also reports an additional payoff not normally anticipated by multinationals when investing in developing economies. While traditional models prepare for instability of these markets based on security concerns or undependable individual finances, Cemex has actually found that its low-income market is far more reliable in times of economic fluctuation. When balanced in quantity against high-cost developed markets, low-income developing markets could therefore serve as extraordinary leverage against losses during periods of economic flux.

Our conclusion is that the goal of sustainable poverty reduction can be achieved only with substantive contributions of businesses and the creation of public/private partnerships, as well as with government and international organizational support. Poverty alleviation can be a profitable endeavor both for companies and for the poor when it links new market development with job creation and new product branding, rather than remaining on the fringe of corporate social responsibility in the form of philanthropic contributions. Whether there is a "fortune" at the base of the pyramid, or only sustainable profits, is inconsequential. That there are profits in markets previously overlooked and ignored is of great consequence to both poverty alleviation efforts and to the sustainable development of global companies in the new flat world of the twenty-first century.

With the aim of inspiring companies to alleviate poverty through for-profit initiatives, the IBPE has developed a number of opportunities to critically examine successful cases through the Vincentian Colleges International Conference on Business Ethics, panel discussions, and workshops. Through the Abbott Laboratories-Funded Lecture Series the IBPE has forged relationships with leading figures in the base-of-the-pyramid approach, including Stuart Hart and William Easterly.¹⁶ Its new mission seems much closer to Saint Vincent's legacy than traditional corporate philanthropy, since it requires "a gentleness receptive to the poor man's miseries."¹⁷ Since aid, philanthropic or otherwise, does not often respond to the poor man's miseries effectively or efficiently, there exists a 'service gap,' an unmet need, a new market. By reconfiguring the needs of the poor as a new market opportunity, business can serve it best by allocating resources in accord with its core competencies. As it is commonly believed the poor have no money, they are not viewed as consumers and their needs are not viewed as a market. C.K.

Business, Good Policy, Good to Foster," Changemakers.net, http://72.14.205.104/u/changemakers?q=cache:5LYZg5_Dbh8J:www.yearofmicrocredit.org/docs/ForProfit_Development.doc+the+for-profit+development+business&hl=en&ct=clnk&cd=1&gl=us&ie=UTF-8 (accessed 7 January 2008).

¹⁶ See <http://commerce.depaul.edu/ethics/html/programs/programs.shtml>

¹⁷ Melito, *Windows*, 166.

Prahalad argues that when business chooses to serve their needs as a distinct market, it offers them the dignity of choice and an access to technology that goes a long way in addressing real needs.¹⁸

Serving the four billion people who live on less than two dollars per day is simultaneously a moral, economic, strategic, and environmental imperative for business. The base-of-the-pyramid approach to poverty alleviation truly does see the poor as “lords and masters,” and not as objects of philanthropic outreach.

¹⁸ C.K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (New Jersey: 2006), 3-22.