

Targeting profitability and social impact in the poorest parts of the world by aligning the supply chain through the fair sharing of risks and rewards

A literature and interview study to create a conceptual framework on the yet-to-be-researched area of Supply Chain Incentive Alignment in Bottom of the Pyramid environments

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The idea of multinational corporations (MNC:s) doing business with the poorest parts of the world with both profitability and poverty alleviation as objectives sounds appealing, however it is much more challenging to actualize due to the many changes that such environments pose on the supply chain (SC). Each time a SC undergoes significant change efforts, a misalignment is prone to occur. Supply chain incentive alignment (SCIA) in turn has the aim of realigning the risks and rewards in the SC when such changes occur. How could MNC:s align their SC:s with incentives to achieve both profitability and poverty alleviation?

The mentioned idea is the core of the so-called Bottom of the pyramid (BoP) business approach. Alleviating poverty has been found to be the most difficult global challenge while simultaneously being critical for achieving sustainability.

This study identified six main categories of implications from the vulnerable and poor BoP environment on the SC:s of MNC:s. The significant amount of SC changes found indicates that a SC misalignment is likely to occur when MNC:s enter the BoP, which in turn indicates the importance of understanding and adapting SCIA efforts in such environments. Seven problem dimensions connected to SC misalignment were identified specifically for the BoP: Unreliable and unpredictable business and regulatory environment, Partnership with intermediaries and non-market actors, Importance of trust and transparency between MNC:s and BoP actors, Power imbalance between MNC:s and BoP actors, Differing contexts between MNC:s and

BoP actors due to vulnerability and informality of BoP, Information asymmetries and inefficient information flows and technology in the BoP and Lower level of literacy, education and skills in the BoP. These seven problem dimensions influence SCIA in BoP environments.

The identified SCIA solutions to target the mentioned problem dimensions suggest for MNC to e.g. create incentives based on collaboration, risk sharing, education, training and alignment with the BoP, create clearer contracts and educate on its content and incentives, use certifications as rewards, align payment type and time with BoP conditions, share information frequently and transparently, reduce information asymmetries prior to contracting, leverage available IT, involve NGO:s, reduce mistrust and prove good and long term intentions.

The problem dimensions and connected SCIA solutions are finally illustrated in a framework that can help MNC:s and other organizations to prepare, understand and implement SCIA efforts in the BoP to create fair and profitable partnerships as well as create positive social impact.

This study utilizes a qualitative method to create a conceptual framework by identifying concepts from eight focus areas in the context of the BoP (five SC misalignment areas and three SCIA areas) from literature as well as interviews with professionals from several contexts. The full study is published in the report "Supply Chain Incentive Alignment in Bottom of the Pyramid environments" at The Faculty of Engineering, LTH, Lund University.