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The "Integrative Justice Model" as Transformative Justice for Base-of-the-Pyramid Marketing

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The "Integrative Justice Model" as Transformative Justice for BoP Marketing

Abstract

Writing in the *Journal of Public Policy & Marketing,* Santos and Laczniak (2009) formulated a normative, ethical approach to be followed when marketers engage impoverished market segments. It is labeled the *Integrative Justice Model* or IJM. As noted below, that approach called for authentic engagement, co-creation and customer interest representation, among other elements, when transacting with vulnerable market segments. Basically, the IJM derived certain operational virtues, implied by moral philosophy, to be used when marketing to the poor. But this well-intentioned approach raises a significant "So what?" question. Are such sentiments anything but lofty aspirations for idealists or are there steps to be taken by society and business managers of goodwill to make the adaptation of the IJM by corporations more likely and pragmatic? This paper begins to layout a roadmap that shows "how and why" the IJM might more likely be vitalized. The crux, as described below, is found in the *transformational justice* dimensions that are embedded in institutions (and supporting institutional arrangements); such external institutions provide a "power" impetus to assure the ethical rights claims that impoverished consumers have owed to them. In this way, the ideal exchange characteristics for BoP markets argued for in the IJM can become actively transformational. The main contribution of this paper is that it begins to chart out the institutional system elements that need to exercise power in order to deliver a "fairer" marketplace for BoP consumers.

Keywords:

BoP marketing; Marketing ethics; Impoverished Consumers: Vulnerable Market Segments; CSR in Marketing; Institutional Theory; Transformative Justice

Introduction

Over the last decade there has been an upsurge of efforts seeking to increase business engagement with low-income markets. While a number of multinational corporations (MNCs) have entered these markets, there has also been a phenomenal growth of other players in this sector such as nongovernmental organizations (NGOs), social enterprises (SEs), and small and medium size enterprises (SMEs). Some of these, such as the Grameen Bank, have existed for many years. An explosion of books, articles, conferences, workshops, consultancies, blogs etc. have focused exclusively on this growing market, one that is characterized by varied terms such as bottom (or base) of the pyramid (BoP), the next 4 billion, low-income markets, subsistence marketplaces, sustainability markets etc. Top-tier business schools in the U.S. such as Stanford, MIT, Harvard, Michigan and Cornell have been at the forefront of developing and extending frameworks for engaging these markets. Students from many of these universities and others participate in immersion programs where they get a first-hand experience of the lives of people in these markets. For example, *Endeavor*, a U.S. based non-profit organization that supports entrepreneurs in emerging markets, selects students from top business schools in the US to spend ten weeks working with some of the entrepreneurs they support (Murray, 2009). The enthusiasm of such efforts is fueled by the awareness that poverty alleviation is possible if we are able to apply the right technology with the right approach. In many ways, this work has borne fruit as the number of impoverished consumers that have been empowered or helped by business engagement during the last few years is notably high. For instance, the number of borrowers of Grameen Bank, as of October 2011, was 8.35 million of which 96 percent were women (Grameen Bank, 2011).

According to their website, Grameen operates 2,565 branches and works in 81,379 villages employing a staff of 22,124. In the 12 months from November 2010 to October 2011, Grameen had disbursed loans of about US$ 1,480 million. Such financial support is the bright side of BoP marketing.

Unfortunately, there is also the dark side. For instance, many BoP initiatives are motivated by the allure of higher profit margins. The 2008-09 financial meltdowns, the subprime mortgage crisis, and on-going corporate scandals (e.g. factory disasters in Bangladesh) all convincingly illustrate how greed for higher profits can result in unethical and irresponsible business behavior that damages society. Mortgage brokers peddling adjustable rate mortgages to minimum wage workers, phone card companies that cheat illiterate immigrants, micro-lenders who charge exorbitant interest rates packaged in seemingly low weekly payments, consumer product companies who extract twice as much per ounce for single-serve sachets are examples of the dark side of BoP marketing. This underbelly of BoP marketing taints the image of capitalism and projects it as being inherently rapacious.

The Integrative Justice Model

In order to inspire fairness and equity when engaging impoverished populations, a normative model was postulated in the marketing literature (Santos and Laczniak, 2009); it is labeled the Integrative Justice Model (IJM) and is constructed using a normative theory building process rooted in philosophy (Bishop, 2000). The approach is based on an examination of different strands of thought in moral philosophy, CSR management theory and religious doctrine and their implications for marketing to the poor. In the IJM, five key elements or characteristics of a “just” and “fair” marketplace are proposed. These are: (1) an authentic engagement with customers with non-exploitative intent; (2) co-creation of value; (3) investment in future consumption; (4) interest representation of all stakeholders; and (5) long-term profit management. According to the formulators of the model, these key elements are not intended to be an exhaustive list of “just” market situations but are rather to be considered as distinct and symbiotic dimensions of what constitutes a just and fair marketplace for the impoverished. At minimum, the IJM elements represent the desired conditions for creating fairness when exchanging with impoverished customers. While it may be helpful to consider the model in its entirely, it - may be almost as important in the context of positive marketing, to examine the transformative justice possibilities of each of the IJM elements. That scrutiny is the major task of this paper: To speculate about the institutional conditions that can make the idealized IJM approach more practically viable. Specifically, we find a most promising avenue in the concept of *transformative justice* via institutions and their connections to the IJM elements.

Our definition of transformative justice is derived from McMahon (1999, 2004), who argues that *power* is what transforms the notion of justice. He provides a simple equation of “rights plus power equals justice.” In the context of BoP marketing, both the elements of *rights* and *power* are important. To a great extent, the IJM approach helps demarcate and substantiate the *rights* that impoverished consumers might reasonably claim—fair representation of their interests, co-creation of the value proposition in the exchange, non-exploitive engagement by the seller, etc. But with regard to the issue of *power*, another broader question is at focus: What is the power (i.e., ability) of enterprises that choose to engage impoverished populations to implement the ideals espoused by the IJM approach? In respect to actually protecting the rights claims of impoverished customers, it is stipulated in this paper that various external entities are required to guarantee the power support required by impoverished consumers. The key institutions we discuss are the government, industry associations, professional bodies, as well as internal perspectives such as corporate culture and managerial commitment. These entities provide and help guarantee the power support required by impoverished customers to receive what is their due: the right to fully participate in the economic marketplace. Put another way, it is institutions that are external to the marketing organization, along with various modes of thinking inside the enterprise, that constitute the "power" to generate transformative justice and to vitalize the IJM elements to achieve their purposes – a fairer marketplace for impoverished consumer segments.

In the following sections we show the connection between the IJM and transformative justice and then elaborate on the potential transformative dimension of each IJM element. For there to actually be fairer marketing at the BoP, it is imperative that companies be able to implement the IJM elements as they are normatively intended. Further, in order for all partners in the exchange, but especially the poor to benefit, it is important that the rights of impoverished populations be protected by various institutions and institutional mindsets. Below, we expound on these dimensions and also make some suggestions for further research.

The IJM and Transformative Justice

The term "transformative justice" is perhaps most familiar in the context of criminal justice. At times it has been used synonymously with "restorative justice" (Bazemore & Walgrave, 1999). However, as Nakagawa (2003) insightfully suggests, the scope of transformative justice is different from restorative justice. While restorative justice aims at *repairing* the harm that was done and restoring what was there before, transformative justice looks to the future and aims *to create* conditions that enable a better reinstatement [of criminals] and also to address the social ills that foster crime. The notion of "transformative justice" as understood in the context of marketing to the poor, though having similarities to the concept in the field of criminal justice, is somewhat different in scope and therefore, bears further elaboration.

The word *transform* is derived from the Latin "transformare" which means to change composition, structure, appearance, character, or condition (Merriam-Webster, 2001, p. 1249). The term "transformative justice" would therefore literally mean *the quality of justice that has the potential of bringing about a change in structure or character*. Justice, in the context at focus, has been elaborated on previously, and is concerned with aspirational values such as fairness, equity, and righteousness and not merely with laws and regulations. Broadly speaking, transformative justice is that which has both the potential and the scope to bring about a lasting change in society so as to enhance fairness, equity, and righteousness. The underlying assumption, not terribly difficult to document, is that such conditions are to a large extent presently lacking when marketers exchange with impoverished segments of consumers.

Much of the opposition to globalization is spurred by a capitalistic system that too often epitomizes greed, corruption, and power (see Lewis, 2008). The mentality of organizations getting as much for themselves as fast as they can get it, often at the expense of others, results in an ever increasing income gap between rich and poor, worker and/or consumer exploitation, as well as degradation of the planet. The problem is not with the global expansion of capitalism per se as much as with how it evolves and how corporations apply it. For instance, the idea of totally free and unregulated markets is proving to be counter-productive as evidenced in the global financial meltdown of 2008-09. In order that peoples' confidence in the capitalist system be restored, it is important that the system as it is today be transformed into one that produces greater fairness and equity, especially for the poorest of consumers.

This outcome is likely what the IJM purports to inspire. The key elements of the IJM have been developed by integrating the notions of fairness and equity based on various strands of thought such as moral philosophy, corporate social responsibility (CSR) frameworks, and religious doctrine (Nicholas J. C. Santos & Laczniak, 2009a, 2009b). Such a derivation process provides the theoretical underpinnings of an idealized framework for business organizations that could help enhance fairness, equity, and mutual benefit in the marketplace. In postulating a normative model for ethically marketing to consumers, particularly those who are impoverished, the IJM offers the business world a potentially transformative framework. Specifically, this paper describes how the IJM elements are useful in helping organize and motivate transformative justice. In the following section, the transformative dimension of each of the key elements of the IJM is discussed with an eye to how they need to be influenced and supported by various institutional arrangements.

The Transformative dimension of the IJM characteristics

The first key element of the IJM is an ***authentic engagement with customers, particularly impoverished ones, with non-exploitive intent***. The transformative dimension of this proposition is that it calls for a shift from the “business as usual” mentality where greed, corruption and exploitation are all too common to one where an authentic engagement is the norm. An authentic engagement is one that possesses the intrinsic quality of being trustworthy along with a process that aims to win the trust of the various constituents being engaged. A company cannot be trustworthy or hope to win the trust of its customers if it seeks to exploit them. The phrase “with non-exploitative intent” might therefore appear unnecessary as an authentic engagement implies that there is no exploitative intent. However, it appears to be used precisely for emphasis and to call attention to the transformative dimension of this key proposition. Authentically engaged marketers will perceive profit as the by-product of satisfied customers not as an end in itself.

The second element of the IJM is ***co-creation of value with customers, especially those who are impoverished or disadvantaged***. Admittedly, this is not a novel proposition. The notion of value co-creation has been powerfully advocated in the academia for the last few years thanks to the work of Vargo and Lusch, Prahalad and Ramaswamy and others (Prahalad & Ramaswamy, 2000, 2002, 2004a, 2004b; Vargo & Lusch, 2004, 2008). This element underscores the work of these scholars by calling for a shift from the traditional mind-set where value is created and delivered by the firm to one where value is *co-created* with the customer. The key contribution of this IJM proposition is that it emphasizes that co-creation also ought to take place in the case of impoverished customers. Selling to the impoverished should not be perceived as some sort of “obligation of the noble”. Although, these customers might have a lack of income, wealth and access to capital, they do have skills, knowledge and a desire for economic improvement that can (and regularly does) contribute to a better exchange.

The third element of the IJM is an ***investment in future consumption without endangering the environment***. Multinational companies [MNCs] traditionally shied away from impoverished market segments as these markets were perceived to have little purchasing power and as such did not constitute a viable economic segment. Bolstered by various analyses in recent years indicating the profit potential in this segment (Hammond et al., 2007; Prahalad, 2005), the interest of MNCs in the BoP market has been substantially aroused. A possible limitation of this IJM proposition is the use of the word “consumption.” This word often evokes the narrow understanding of merely consuming more and might elicit criticism from opponents of a consumerist culture. However, the notion of an investment in future consumption is in line with Amartya Sen’s (1999) idea of expanding the instrumental freedoms that people should enjoy, particularly economic freedom. The transformative dimension of this proposition is that it calls for an enlarged mindset; from viewing market segments merely in terms of immediate ability to purchase to one that considers business sustainability in impoverished markets as a long-term investment that is aimed at creating on-going markets that BoP consumers can actively participate in and from which they can benefit.

The fourth element of the IJM is an ***interest representation of all stakeholders, particularly impoverished customers***. The unfortunate truth is that even companies that profess to prescribe to a stakeholder orientation often follow a subtle stockholder model ala Milton Friedman (1962, 1970). This is because, as Kelley et al. (2008) indicate, most business models of stakeholder engagement place the firm at the center of the model. Instead, these authors suggest a systems approach to stakeholder engagement that does not have any particular stakeholder at the center. Even though Freeman et al. (2007) argue that there does not need to be any trade-off between the interests of the different stakeholders, economic reality within the firm often suggests otherwise. For example, Laczniak and Murphy (2012) point out that the importance assigned to a particular stakeholder depends on whether they are considered primary, indirect, or secondary and that stakeholder theory would benefit if organizations were less instrumental and more societal focused in their stakeholder prioritization. Thus, in the context of BoP marketing, if impoverished customers are considered secondary or even indirect stakeholders, then the level of firm-customer engagement is going to be different than if they are considered primary stakeholders. The transformative connection of the IJM is that it upholds that impoverished customers should be treated as primary stakeholders and suggests that firm-customer commitment should be influenced by this consideration.

The fifth element of the IJM is a ***focus on long-term profit management rather than short-term profit maximization***. This is a very challenging proposition as there are a number of factors that encourage a short-term financial perspective. For instance, with the emergence of globalization, there has been a phenomenal increase in takeovers and acquisitions, mergers, outsourcing, offshoring, layoffs etc. These uncertainty factors propel managers at different levels of the organization to make as much money as they can and as fast as they can make it. For example, such a mentality explains the “race to the bottom” as many firms in western economies constantly shift their manufacturing to the lowest cost producers, often at the expense of safety. The overriding logic motivating such actions is that there is no guarantee of returns tomorrow. As an alternative to such thinking, this element of the IJM proposes that a company adopt a long-term orientation is that the company will continue to exist in the long run. However, even if this assumption is shown to be erroneous, would this IJM proposition be unrealistic? Take for instance, merchandise vendors on the railway trains in India. The merchandise that they sell is relatively cheap, but often defective. Mostly they are not interested in developing a long-term relationship with the customers. All they want is to be able to sell their product today so as to make a profit and earn their livelihood. However, eventually what happens is that the customers become altogether wary of these sellers and are reluctant to buy from *any* of them. The transformative dimension of this IJM proposition is that while recognizing the legitimacy of financial returns, it calls for a realization that considers not just financial rewards in the short run but also systemic benefits that may provide long-term dividends for far-sighted firms. That said, even if there is no iron-clad guarantee that the company will be in existence “tomorrow”, there is a need to orient corporate behavior in a long-term direction, because if the firm continues to operate in the future, the IJM approach represents the most sustainable path.

Transformational Justice and Corporate Commitment

In a noteworthy insight, Thomas McMahon (1999, 2004) argues that *power* is what transforms the notion of justice. McMahon provides a simple equation of “rights plus power equals justice.” So, for example, we might stipulate that people have a basic right to shelter. However, if they do not have access to money or credit, they have no power to ensure such a right is met. In the context of the business world, corporations possess tremendous power. The power that MNCs (or other large organizations) wield can be used at times to dominate employees, suppliers, distributors, customers, and host communities. Sweatshop labor, human rights violations, pollution of the environment, and wanton destruction of natural resources are examples of a negative use of power by MNCs. Alternatively, the power of MNCs can also be used as a force for good. Increasing employment and paying employees a living wage, investing in host communities by supporting social causes such as education, healthcare, sports, and the arts, improving the quality of life for employees and customers via innovation, etc. are examples of a positive use of MNC power. In the context of marketing to impoverished market segments, the question at focus is: *What is the ability or power of MNCs to implement the key elements of the IJM in their usual business functioning?*

The first dimension of transformational justice that is held by MNCs is their power to choose what they do and how they do it. As noted already, MNCs have mostly shied away from low-income segments because these markets are often perceived as having limited purchasing power. However, as Gradl et al. (2008) point out in a highly insightful book chapter, there are other constraints in low-income markets that act as a deterrent to MNC involvement.

As such constraints are the obstacles to empowering impoverished market segments, they are well worth reviewing in detail. Gradl et al. highlight five such market constraints: (1) market information; (2) knowledge and skills; (3) access to financial products; (4) the regulatory environment; and (5) limits to the physical infrastructure. In effect, these constraints limit the power of MNCs to effectively and efficiently operate in impoverished markets. Drawing on a multi-case analysis of companies operating in impoverished market segments, Gradl et al. propose five possible solutions to overcoming these constraints: (1) adapt a more inclusive business model; (2) invest in enabling conditions; (3) collaborate with communities; (4) cooperate with other organizations; and (5) collaborate with governments. The descriptive solutions that Gradl et al. suggest—based on real world cases--support some of the *prescriptive* characteristics of the normative IJM (see Santos and Laczniak, 2012 for further details). For instance, investing in enabling conditions is akin to the IJM proposition of an investment in future consumption. Collaboration with communities and other organizations (including governments) is contained within the notion of co-creation of value, though the IJM proposition of co-creation is more precisely concerned with co-creating value in partnership *with* impoverished customers. Finally, the IJM proposition of long-term profit management complements adopting a business model with a "sustainability" perspective.

Gradl et al. (2008) essentially introduce a market *system* perspective for understanding the "markets of the poor" vis-à-vis an approach that considers the low-income consumer as having sufficient economic potential as to be worth pursuing. According to these authors, a market system approach is one that is able to identify structural challenges in the markets of the poor (e.g. low literacy levels, poor infrastructure, deficient contract enforcement, etc.) and then create an understanding of how to address these challenges. Gradl et al. argue that such an approach "explains why few businesses have been able to use the opportunity to do business with roughly half of humanity that remains poor" (p. 31). They further point out that "a better understanding of the market systems of the poor will help companies identify inclusive business models" and "help us to understand how productive market systems evolve generally" (p. 31). They suggest that enlightened practitioners "should consider the poor as usual customers and the markets where they live as unusual (and not the other way round)" (p. 45, parenthesis in original). The paragraphs below more directly connect Gradl et al.'s arguments to the IJM perspective.

Gradl et al. (2008) suggest that business practitioners should consider the poor as "usual customers." While they do not elaborate on what "usual" means, from context, it is assumed that it refers to perceiving and pursuing these customers in the same way that high and middle-income customers are cultivated. In the IJM, impoverished customers are both "usual" and "unusual" (to use Gradl et al.'s terminology). They are *usual* because of their shared human dignity on account of which they ought to be accorded full respect. Further, as human beings they have aspirations, hopes, and dreams just as customers in higher income segments have. However, they are also *unusual* because they face certain constraints and disadvantages that higher income consumers do not face (cf. Davidson, 2008; Karnani, 2007). A failure to acknowledge this dimension can contribute to an exploitation of impoverished market segments. For example, one of the constraints facing low-income consumers that Gradl et al. identify is access to financial products. A solution to overcoming this constraint is to provide the poor with greater access to financial credit. However, if this solution merely considers the impoverished market segment as "usual" customers with pent-up demand, this perception is likely to result in a greater exploitation of such customers as evidenced by the predatory lending practices of banks such as Banco Azteca in Mexico (Epstein & Smith, 2007) or pay-day loans stores in the USA. In contrast, the success of Grameen Bank owes largely to its ability to consider its impoverished customers as both "usual" and "unusual." They are "usual" as they have the same aspirations for a better standard of living and an improved quality of life (cf. Caplovitz, 1967) that drive customers in higher income markets. Further, as potential local business partners, they are also "usual" in that they have the same needs for income and credit that entrepreneurs in higher income markets have. However, they are also "unusual" due to their unique situation (i.e., lack of collateral, low-literacy, lack of knowledge about markets, etc.). Taking these *unusual* characteristics into consideration, Grameen charges interest rates that are lower than the government rate; does not require collateral nor demand its borrowers to sign any legal document; it does not resort to high-handed tactics for repayment of loans; and engages in activities that are aimed at improving its customers (Grameen Bank, 2008). Succinctly put, a major contribution of Gradl et al.'s thesis is to adapt to the unique market system where impoverished customers reside. The case inspired solutions of these authors seem to validate the theoretically derived elements of the IJM approach. For instance, the Toyota University in India imparts motor mechanic training to promising teens (Lakshman, 2008) and provides skill training that reduces the market constraint of an unskilled labor force.

The Rights of Impoverished Consumers and Institutional Power

While the ethical roots of justice in the IJM extends beyond law and regulations, it does not in any way imply that competitive regulations are not needed. In fact, the corporate scandals and financial meltdown of 2008-09 support the need for regulated markets, something to which many proponents of unrestricted free markets are vehemently opposed. The previous section argued that business corporations—autonomously and independently—can be a force for good. Corporations have the wherewithal, while maintaining profitability, to respond to targeted social causes such as poverty alleviation and ecological sustainability as well as to contribute toward the empowerment of impoverished customer by the market accommodation choices they make. However, as was also noted, corporations can use their power negatively. For example, Rent-A-Center threatened America's Second Harvest (a not-for-profit food bank) by stating that it would pull out contributions from hunger programs in Ohio if the charity did not withdraw from a coalition that was supporting legislation to cap interest rates on payday loan operations (Phillips, 2008).

In order that the rights of impoverished customers are protected, various institutional entities need to guarantee the power support required by disadvantaged consumers to receive what is their due, i.e. rights to a just marketplace as specified in the IJM. While each aspect of the IJM may not be legally actionable, the IJM elements nevertheless have a strong claim based on moral force. Put differently, it is institutions and their associated arrangements that should provide the power to assure fairness in the marketplace when it does not naturally occur. Other entities that do this—the essential instruments of transformative justice--include the government, industry associations, professional bodies, and, of course, corporate cultures driven by personal commitment to aid justice by top level managers. The following paragraphs specify briefly how each of these institutions can contribute towards protecting the ethically mandated rights of impoverished customers.

The Government: One way that the government can ensure that the rights of impoverished customers are protected is by enacting legislation and enforcing existing regulations aimed at ensuring that such customers are not exploited by corporations (cf.

Karnani, 2009). For instance, many states in the U.S. have passed legislation that caps the interest rates that lenders can charge on payday loans or rent-to-own transactions. In a similar vein, the Federal Reserve Board approved rules in 2008 that protect credit card users from unfair acts or practices of credit card companies (Federal Reserve Board, 2008). In addition to legislation that acts as a protective shield against abusive and exploitive practices of vulnerable segments, the government also can implement various pro-business policy measures such as tax-breaks and subsidies (Nicholas J. C. Santos & Laczniak, 2009b) to those firms that encourage greater investment in impoverished markets. Obvious impediments to government as the guarantor of the power necessary to achieve transformative justice for poor consumers are its bureaucratic inefficiencies and/or its corruptions—situations all too common in developing markets. To be sure, even in developed economies, political advantage and/or purity of ideology mitigate the consistent application of the law to help the impoverished consumer.

Industry Associations: An industry association is an organization of companies that belong to a particular industry or span across related industries to share a common interest. For example, the Telecommunications Industry Association (http://www.tiaonline.org/) is restricted to manufacturers or suppliers of high-tech equipment, products, and services used in communication technologies. A leading example of an industry association that bridges across a number of diverse industries is that of the World Business Council of Sustainable Development (WBCSD). The WBCSD is a CEO-led association that comprises about 200 companies from 35 countries and 20 major industrial sectors (World Business Council for Sustainable Development, 2008a). The WBSCD plays an important role in encouraging its members to contribute to poverty alleviation and to develop sustainable business models. For instance, the "tomorrow's leaders group" of the WBCSD acknowledged that there were substantial challenges of doing business in poorer countries. However, they also acknowledged that "without business acting as the motor for development, the necessary frameworks, infrastructure, and services [were] less likely to emerge" (World Business Council for Sustainable Development, 2006, p. 11). At a council meeting in Johannesburg in 2008, it was held that inclusive business models are the key to doing business with low-income populations (World Business Council for Sustainable Development, 2008b). An industry association such as the WBCSD also helps in sharing best practices in developing markets as well as putting a certain peer pressure on its members to adhere to ethical and sustainable business practices. In effect, industry associations provide the power of transformative justice because they remind the members of a "common [industry] good" that exists which may exceed profit maximization incentives for individual members. Thus, in principle, industry associations have the soft power to help provide transformative justice for the poor. Unfortunately, many industry associations (e.g. U.S. Chamber of Commerce) are more dedicated to lobbying for special advantage for their members to maximize profit rather than being forthcoming voices for the impoverished consumer or other stakeholders.

Professional Bodies: Professional bodies such as the American Marketing Association (AMA), the Academy of Management (AoM) and other academic associations have a role to play in ensuring that the rights of impoverished customers are protected. For instance, both the AMA and the AoM in their Statements/Codes of Ethics specify avoiding harm to stakeholders as an implied ethical duty (Academy of

Management, 2009; American Marketing Association, 2009). The AMA and the AoM also make explicit mention of impoverished customers. In the AMA Statement of Ethics, under the ethical value of responsibility, marketers are called to "recognize our [their] special commitments to vulnerable market segments such as children, seniors, the economically impoverished, market illiterates and others who may be substantially disadvantaged." Likewise, in the AoM Code of Ethics, under professional principles, academy members are reminded that they "have a duty to consider their responsibilities to the world community" and further, in their role as educators, are called upon to "play a vital role in encouraging a broader horizon for decision making by viewing issues from a multiplicity of perspectives, including the perspectives of those who are the least advantaged." In this manner, professional associations add to the power of transformative justice by reminding their members of their obligation of empathy to impoverished market segments.

Corporate Culture: Corporate culture can be defined as "the set of shared attitudes, values, goals, and practices that characterizes a company or corporation" (Merriam-Webster, 2001, p. 282). If a corporate culture is one that is bottom-line focused, employees are more likely to resort to unethical behavior in the relentless pursuit of profit. If instead, the corporate culture is one that is driven by a set of core values that delivers sustainable stakeholder benefit , then there is a greater likelihood of ethical behavior. Jim Collins, the co-author of the business bestseller *Built to Last*, in an interview with *Fortune* gives the example of Proctor & Gamble (P&G) (Collins & Reingold, 2009). According to Collins, one of the distinctive things about P&G was that they contend that a customer would always be able to depend on the fact that a product is what P&G said it is. Therefore, they did not succumb to pressures to cut corners or use cheaper ingredients to boost their profits. Consistent with this proactive approach, Murphy (1998) profiles eighty exemplary ethics statements drawn from various organizations. However, as Murphy acknowledges, having a great ethics statement is not enough; the principles and values have to be communicated, promoted, lived, enforced and sometimes revised. In other words, the values contained in the ethics statement need to become part of the very fiber of the company and should influence its behavior at all levels. In the context of marketing to impoverished segments, the IJM is provided as a guiding framework for companies to enhance fairness, righteousness, and equity in the marketplace. However, this framework cannot be effective unless it becomes part of the corporate culture. That is, the espoused ideals of the IJM: authentic engagement without exploitive intent, co-creation of value, investment in future consumption, interest representation of all stakeholders, and long-term profit management, should be a part of what defines the company ethos and its culture. In such an instance, the power of transformative justice is indirect but important because it is driven by the voluntary choice of the company. To the extent that the elements of the IJM model become imbedded in the firm's corporate culture, it is far more likely that special obligations owed to impoverished consumers will be reflected in company policy.

Top Manager Commitment: In the sub-section above, it was pointed out that a corporate culture, based on the core values of the IJM, would ensure that impoverished customers are treated fairly, righteously, and with equity in the marketplace. However, in order for the impoverished customers to be consistently treated in this manner, there is also a need for the personal commitment by all those who are either directly engaged in transactions with impoverished consumers or who play a role in affecting such transactions, especially top managers. While personal commitment may be an individual choice , the company can impel its employees adhere to the core values of the IJM through its code of conduct and other corporate communication. . Alternatively, instead of a "carrot and stick" approach, a company could help facilitate greater managerial commitment through supplementary programs such as immersion experiences, volunteering, or related service assignments in markets where the company sells to the impoverished. Increasingly, MBA programs are offering such experiences and, firms serious about being responsive to poor consumers, might look to hire more such sensitized managers (Murray, 2009).

The Indispensible Power of Institutions in Guaranteeing Transformative Justice

We anchored our major thesis in the writings of McMahon (1999; 2004) who boiled down *achieved* economic ethics to the proposition that *Rights X Power = Transformative Justice* (or R x P = TJ). That is, once rights are specified, some level of power is required in order to assure actualized justice. In the case of BoP consumers, Santos and Laczniak (2009, 2012) in previously published writings specified the ethical minimums that BoP consumers should expect in a fair market system. Therein, considerable ethical theory justification was provided for each (previously discussed) ethical expectation of impoverished consumers—i.e., to be authentically engaged with non-exploitive intent, to have their interests honestly represented, to participate in the co-creation of exchange propositions, to expect re-investment by sellers in future transactions and to have their market segment be subject to a long term-profit perspective. Together these elements were characterized as the 'integrative justice model' or the IJM. Indeed the weight of ethical grounding for these expectations by BoP consumers are so compelling that the IJM elements well might be considered fundamental consumer *rights* for members of impoverished market segments. Stipulating these elements are actionable rights—they should be demanded in justice; but how might these ethical rights be guaranteed?

Obviously, according to McMahon's equation, some "power" guarantor is needed to insure transformative justice (TJ)—i.e., the reliable delivery of accorded rights to the marketplace of disadvantaged consumers. This form of justice is transformative precisely because it will allow previously vulnerable consumers to be accorded fairness in economic exchanges. As postulated already, that power is likely provided by institutions (and institutional arrangements). According to our approach, institutions oversee the delivery of the rights that impoverished consumers should expect. Since many BoP consumers reside in developing markets without reliable, effective institutions, some further discussion is required concerning the particulars of exactly where the "power of guarantee" for transformative justice should come from.

To begin with, the notion of institutions being important in shaping social justice, including economic justice, is a long standing strain of thought in the academic literature, including business. For example, in a recent review article, Murphy, Obersader and Laczniak (2013) characterize *institutional theory* as one of the four possible normative justifications for corporate societal responsibility (CSR). Institutional theory as a backbone to both legitimate and constrain business actions goes back at least as far as writings of sociologist Talcott Parsons (1960). Richard Scott (2008) extended this seminal conceptualization by specifying *three pillars of institutional theory*: "Institutions are comprised of regulative, normative and cultural-cognitive elements that together with associated activities and resources, provide stability and meaning to social life" (p.48). In this vein, we apply institutional theory to the market constraints facing impoverished consumers.

For BoP consumers, especially in markets with weak institutions, the most obvious form of transformative power derives from the self-motivated and voluntary actions of corporations that engage in local exchange with them. In the ideal, an ethical corporate culture will deliver all or most of the consumer rights owing to impoverished consumers as implied by the IJM approach. Contemporary factors such as the enhanced education of MBAs about social responsibility and ethics, community discussions concerning conscious capitalism as well as the values embedded in a corporation's driving culture will hopefully contribute to the voluntary delivery of IJM connected rights. Some corporations, including MNCs, have been role models in trying to provide helping accommodations to vulnerable markets, such as the impoverished consumer. These companies might be seen as acting on Scott's "cultural-cognitive" pillar of institutional theory by shaping their corporate actions toward a broader understanding of the implied social contract between business firms and society. In other words, the individual corporation itself voluntarily and willingly serves as the institution of power. The many organizations that have subscribed to the "fair trade" movement would be examples of such ethical exemplars. That said, many corporations are still too hard wired to the standard model of profit maximization and will require a different institutional power nudge.

Alternative institutions such as churches, NGOs, and industry associations (briefly discussed already) are examples of soft power institutions that might provide additional power impetus. Often these organizations exercise Scott's "normative" pillar of institutional theory. For example, industry associations formulate codes-of-conduct in order to specify the expected ethical minimums of behavior for members to be in "good standing" in their specific practitioner community. Such institutions, via their normative statements, act as constraint upon deviant behavior by individual firms. The recent guidelines for certifying the safety of production factories by multi-national retailers are an example of such norms, although much belated, given the disasters in Bangladeshi textile factories in recent years. Similarly, NGOs often step forward to provide support services such as clean water or small loans when the normal course of commercial events does not present such availability in developing markets. While sometimes conducted on a charitable basis, these services are rendered because of the normative belief that poor consumers are entitled to "fairer" exchange and greater commercial opportunity.

Not all organizations will conform to voluntary or associational guidelines because of their self-motivated nature and/or the temptation to maximize their competitive advantage. It is here that the role of Scott's *regulatory* pillar comes into play. As Scott (2008, p.52) notes regarding this pillar, "Institutions constrain and regularize behavior (through) explicit regulatory processes—rule-setting, monitoring, and sanctioning activities." The conundrum, of course, is how can the regulatory pillar be leveraged in countries and markets where there are no such power-exercising, regulatory institutions? Often, the regulatory pillar of institutional theory, if it is to guarantee rights, must be exercised exogenously. For example, the U.S. Foreign Corrupt Practices Act

(1977; 1988), which prohibits the bribery of government officials worldwide in order to secure businesses transactions, applies to all U.S. headquartered corporations as well as all foreign firms whose securities trade on U.S. share market exchanges. In this manner, institutions from developed economies—in this case the USA—interject their regulatory weight to help impel transformational justice. Since the information that such external regulators require to select involvement and exercise power does not derive from local institutions (because they are non-existent or ineffective), it comes from alternative sources such the media, whistle-blowers, social service organizations, the UN and other groups with "feet on the ground" in impoverished markets where consumers rights are ignored, violated or exploited.

In summary, *transformational justice* for impoverished consumers is the result of having their rights claims guaranteed by necessary power. In the case economically disadvantaged consumers, the exchange rights they are *ethically* entitled to are specified by the integrative justice model (IJM). The power to insure that such rights can be exercised by the poor is then warranted by appropriate institutional actions, whether motivated culturally, normatively or legally.

Conclusion

In this paper, we drew the connection between the IJM and transformative justice and then elaborated on the transformative dimension of each key element of the IJM. The central conceptual idea put forward in this paper is that the promises of the IJM model cannot come to fruition in many cases without the intervention of institutions. Standing alone, the IJM model offers a worthy ethical guide for the better treatment of impoverished consumers. But, often, the guarantee of rights for poor customers can only become transformational via the proactive steps undertaken by key institutions. Here again, is our thesis in capsule. The *authentic engagement with non-exploitative intent* element calls for a change in approach from the "business as usual" mentality where greed, corruption, and exploitation are all too common. The *co-creation of value* element emphasizes that even though impoverished customers might have a lack of income, wealth, and access to capital, they do have skills, knowledge, and a desire for economic improvement that can contribute to the mutual value added in the exchange process. The *investment in future consumption* element calls for an enlarged mindset, from viewing market segments merely in terms of present ability to purchase to one that considers business engagement in impoverished markets as a long-term investment that is aimed at creating markets that all can actively participate in and benefit from over a sustained period of time. The *interest representation of all stakeholders* element subscribes to a stakeholder orientation but upholds that impoverished customers should be treated as primary stakeholders. The *focus on long-term profit management* element recognizes the legitimacy of financial returns but also calls for a perspective that considers not just financial rewards in the short run but also overall benefits to the organization and the community in the long run.

Inspired by McMahon's (McMahon, 1999, 2004) idea of transforming justice, namely that of "rights plus power equals justice," the notion of power affirming rights by institutions was elaborated. The section on "Transformational Justice and Corporate Commitment" dealt with such utilization of power. The issue at focus is: What is the power or ability of supporting institutions to help corporations implement or adhere to the key elements of the IJM in their functioning? As discussed above, Gradl et al. (2008) helpfully identify a market system approach to uncovering certain constraints that act as a deterrent to MNC involvement in low-income markets and reduce the likelihood of transformational justice being achieved. On the basis of fifty case studies, Gradl et al. also propose five solutions for overcoming justice reducing constraints upon poor consumers: (1) adapt a more enlightened business model; (2) invest in enabling conditions; (3) collaborate with communities; (4) coordinate with other organizations; and (5) cooperate with governments. Consistent with this thinking, examples such as the Grameen Bank in Bangladesh and the Toyota University in India provide evidence that companies do have the ability to use their economic power so as to implement the key elements of the IJM.

The final section of this paper dealt with protecting the rights of impoverished customers. It stipulated that various external entities, such as the government, industry associations, professional bodies, as well as internal perspectives such as corporate culture, and personal commitment, need to guarantee the power support required by impoverished customers to receive what is their due. Put another way, institutions outside the marketing organization along with various ways of thinking inside the firm, constitute the “power” levers to generate the transformative justice that will help vitalize the IJM elements to achieve a fairer marketplace for impoverished segments and while the government can protect the rights of impoverished customers by passing legislation aimed at curbing exploitive practices, it can also do so by implementing various policy measures that encourage greater investment in impoverished markets. Industry associations such as the WBCSD play a motivating role by encouraging inclusive business models, sharing best practices, and requiring members to adhere to certain ethical and sustainable business standards. Professional bodies such as the AMA and the AoM through their codes of conduct or values statements can advocate that members take special cognizance of vulnerable and disadvantaged populations. A corporate culture that imbibes the core values of the IJM can greatly help ensure that impoverished consumers are treated fairly, righteously, and with equity in the marketplace. While a personal commitment to helping the poor is an individual matter, companies can ensure fairer exchange policies toward the disadvantaged via a strong ethical commitment by its top managers.

There are numerous avenues for further analysis of these issues. For one, researchers need to explore ways in which the interests of impoverished customers can be better represented to their organization. Second, researchers can test the IJM in various settings involving impoverished customers. Although the IJM is a normative ideal not conceptualized for economic efficiency testing, firms using a triple bottom line approach consistent with the IJM elements may find that they also have improved their economic *and social* performance. Third, researchers can develop metrics to test whether interest representation of all stakeholders, particularly impoverished customers, have indeed taken place via some sort of advocacy protocol. Currently, efforts are in progress to create scales that measure each IJM element (Facca and Santos, 2013 working paper). Fourth, researchers can consider the application of the IJM to other vulnerable and disadvantaged groups such as immigrants and market illiterates. Fifth, researchers can test the applicability of the IJM characteristics to other stakeholders besides impoverished customers. Finally, we remind readers that the ultimate “test” of the IJM, because it is a normative ideal, lies not in financial maximization but in whether market exchanges with impoverished, BoP consumers become fairer and more sustainable.

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