DOI: 10.59571/mpi.v3i1.1

Know Thy Necessity Entrepreneur: Leverage CSR For A Stronger Impact

Disha Bhanot & Sheila Roy

Problem of Practice:

One way companies in developing economies can fulfil their corporate social responsibility (CSR) is through supporting and strengthening 'necessity entrepreneurs'— people pushed into self-employment due to lack of job opportunities. A deeper understanding of the entrepreneurial processes followed by necessity entrepreneurs can help CSR leaders shape initiatives that will impact social development. Two studies – one by John C. Dencker, Sophie Bacq, Marc Gruber and Melvin Haas, and another by Christiana Weber, Anja Fasse, Helen M. Haugh and Ulrike Grote – provide a framework for CSR leaders to help structure institutional support for different types of necessity entrepreneurs[1,2]

[1,2] The two articles— 'Reconceptualizing Necessity Entrepreneurship: A Contextualized Framework of Entrepreneurial Processes Under the Condition of Basic Needs' by John C. Dencker, Sophie Bacq, Marc Gruber and Melvin Haas featured in Volume 46 of *Academy of Management Review* and 'Varieties of Necessity Entrepreneurship – New Insights From Sub Saharan Africa' by Christiana Weber, Anja Fasse, Helen M. Haugh and Ulrike Grote featured in Volume 47, Issue 5 of *Entrepreneurship Theory and Practice*— talk about a framework for CSR leaders to help structure institutional support for necessity entrepreneurs

CSR for necessity entrepreneurs

Recent reports have shown that entrepreneurship has become the go-to solution for the unemployed.[3] Youth unemployment is a widespread issue across BRICS countries and the global South, with a rate of 17.5%, according to a recent 2024 International Labour Organization report.[4] Those who cannot find steady employment are forced to emulate entrepreneurial 'success stories' and become 'necessity entrepreneurs' (those who go the entrepreneurship route due to lack of other income-generating opportunities). Necessity entrepreneurship is driven by the need to fulfill basic physiological requirements, such as food, shelter and clothing.

Most necessity entrepreneurs start businesses based on what they already know and see around them. The reason for this is simple. On their own, necessity entrepreneurs generally have little or no ability to add new skills or experiment with novel services. This constrains their potential and diminishes their odds of building a viable enterprise. Access to institutional support can provide the necessary impetus and capacity to fuel growth. Corporations are in a position to provide this kind of support, which can also help their corporate social responsibility (CSR) initiatives.

The CSR Journal's profile of Top 50 Companies for CSR and Sustainability in 2023 finds mention of the terms 'entrepreneurs' or 'entrepreneurship' in only 11 of the Top 50 companies and, of the eleven, ten are specific to women entrepreneurs.[5] The term 'livelihood', on the other hand, has far more mentions across all companies.

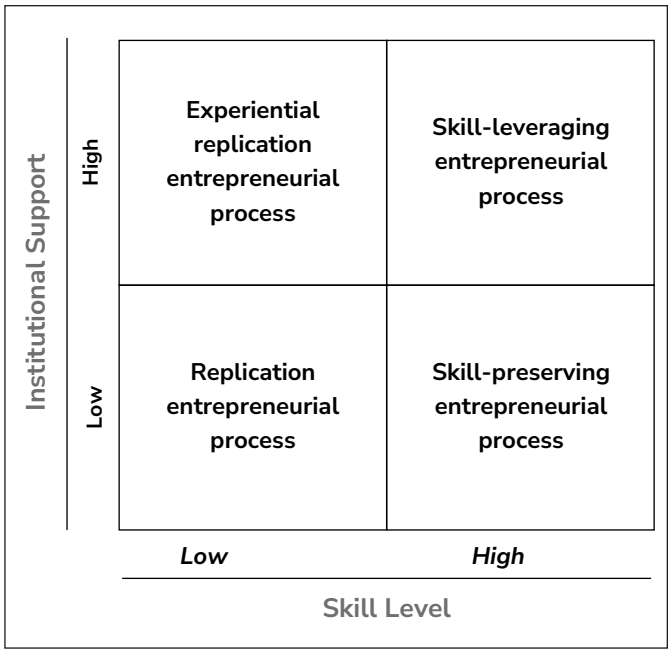
As per a research paper, an estimated one billion individuals in developed and developing nations can be defined as necessity entrepreneurs — individuals who have no other viable option for legitimate income than to start a small, income-generating activity

Prima facie, it appears that CSR is not adequately supporting necessity entrepreneurs, given a lack of tailored programs that can address the unique challenges faced by necessity entrepreneurs, and skewed resource allocation towards high visibility projects.[6,7] We believe that companies can reshape their CSR narrative of developing livelihoods (for poverty-stricken beneficiaries) to focus on fostering entrepreneurship, particularly by supporting and strengthening initiatives by necessity entrepreneurs. With a more nuanced understanding of the diversity of necessity entrepreneurs and the entrepreneurial process they adopt, CSR leaders can draw insights from the research by Dencker and team, so as to design and implement effective interventions to promote entrepreneurship as a core objective.

Process dimensions

Simply put, an entrepreneurial process could be defined as the entrepreneur's way of doing business. The two primary factors that explain the different entrepreneurial processes of necessity entrepreneurs are: skill level and presence/absence of institutional levers. The interplay of these two levers manifests in four different entrepreneurial processes, as shown in the framework (*Figure* 1) and explained thereafter.

Figure 1: *Framework of entrepreneurial processes of necessity entrepreneurs*



Source: Adapted by the authors from the article by Dencker et al

Replication process

Necessity entrepreneurs with low skill level typically resort to replication when they start a new entrepreneurial venture i.e, they tend to set up businesses that are similar to the ones they see in their locality. The book *Poor Economics* by Nobel Laureates Banerjee and Duflo highlights the phenomena that is overtly visible to a layman but seems invisible to policy makers and corporates implementing CSR.[8,9]

"*If you have few skills and little capital . . . being an entrepreneur is often easier than finding an employer*

with a job to offer. You buy some fruits and vegetables or some plastic toys at the wholesalers and start selling them on the street; you make some extra dosa mix and sell the dosas in front of your house; you collect cow dung and dry it to sell it as a fuel; you attend to one cow and collect the milk. These types of activities are exactly those in which the poor are involved."[10]

Skill preserving process

In the absence of institutional support, necessity entrepreneurs capitalize on the skills they have acquired through higher education and apply them to diverse contexts. Take for example, chartered accountants working with Farmer Producer Companies (FPCs) in India (legally registered entities formed by farmers to leverage collective strength and promote better market access for agricultural products). One of the annual compliances for a farmer-producer company is to file return on income. Farmers lack specialized knowledge in these areas. Graduates in accounting, unable to secure formal employment, often offer accounting services to these FPCs. These entrepreneurs preserve their skills by working on ad-hoc services requirements such as audit, income tax filing among others. The Devnadi FPC in the Nasik district of Maharashtra, India, relies on the expertise of accountancy graduates to manage its return filings. This was highlighted in our interactions with the late Mr. Sunil Pote, founder of the NGO Yuva Mitra, which played a key role in promoting Devnadi FPC. With the government actively promoting farmer collectives like FPCs, there is increasing need for strong governance practices in their management, a role where such necessity entrepreneurs can leverage their expertise effectively.[11]

Experimental replication process

Necessity entrepreneurs with low skill levels who have institutional support can pursue an experiential replication process. Let's say that a regional cluster has plenty of mobile sellers or street food vendors and more people want to start their own business due to lack of regular employment opportunities. This is a situation where an organization can help transform the lives of future entrepreneurs who might normally consider similar businesses, even though the cluster is already saturated, for the lack of alternatives. The organization can help by identifying untapped business opportunities and providing institutional support in the form of providing training and capital to start these businesses.

An organization's CSR initiatives can help support skill development as well as create levers in the form of capacity-building institutions. They can even, in some circumstances, act as intermediary organizations that can help shape the market for exchange of goods and services

One such example is the Crown Flour Angels Baking Academy, which was started in early 2023 by Olam Agri, a leading agribusiness in Nigeria.[12] The academy was launched to expand women's participation in the country's economy. Research conducted by the organization indicated there was plenty of demand, but the baking industry was dominated by males. Further, there was a substantial untapped opportunity to expand production of cakes. The academy, located in Kano state, founded the academy to equip women with baking skills that would help enhance their earnings. This initiative allows women to move from being low-skilled and unsupported to being entrepreneurs with a skill set that is in demand. For this program, the primary motivation is helping participants generate a steady income stream. But there is even better opportunity to help these women further. The organization can do better by also providing support to open bakeries and/or sell products directly to large grocery chains.

In India, Project Shakti by Hindustan Unilever Limited (HUL) has done just that since 2000.[13] It has created a sustainable, resilient business model by financially empowering rural women and creating livelihood

opportunities. HUL has helped create self-help groups of 'Shakti Ammas' (strong moms) in districts with high poverty rates. These entrepreneurs are provided with training and can purchase HUL products at a discount. They can, then, resell these products not only to the outlets in their villages but also directly to consumers. Recognizing the difficulties that these Shakti entrepreneurs may face while beginning their journey, the conglomerate offers them cash incentives to visit a specified number of houses or store, providing additional incentives for the amount of products sold to keep them going.[14] HUL has also identified an implementation partner – the Marketing and Research Team (MART), a rural consulting firm – to do the groundwork. MART studies a new 'market' to ascertain its potential, examine local prosperity levels, assess the existing presence of self-help groups, NGOs and micro-credit agencies, as well as HUL's reach, to determine the suitability for Project Shakti. This program has been extremely successful as there are now over 120,000 Shakti Ammas in 18 states in India.[15]

Skill leveraging process

Necessity entrepreneurs with high skill levels who have received the required institutional support can pursue a skill-leveraging entrepreneurial process. As suggested by Dencker et al, CSR initiatives of organizations can make a significant impact when they not only help identify a gap which can be tapped by necessity entrepreneurs but also provide the necessary support to the entrepreneurs to help them transition from being in the crowd to stand out from the crowd.

Microsoft's CSR initiative, MySkills4Afrika program, is doing just the same as it connects Microsoft employees with entrepreneurs, startups and non-profits across Africa to share skills, knowledge and expertise.[16] By engaging with high-skill individuals to develop software applications and working on real-life projects, the program aims to foster digital transformation, build local capacity and empower entrepreneurs through mentorship, training and guidance in areas like technology, business strategy and leadership. The key highlight of this program is its integration into Microsoft's core business activities, rather than operating separately as a supplementary CSR initiative.

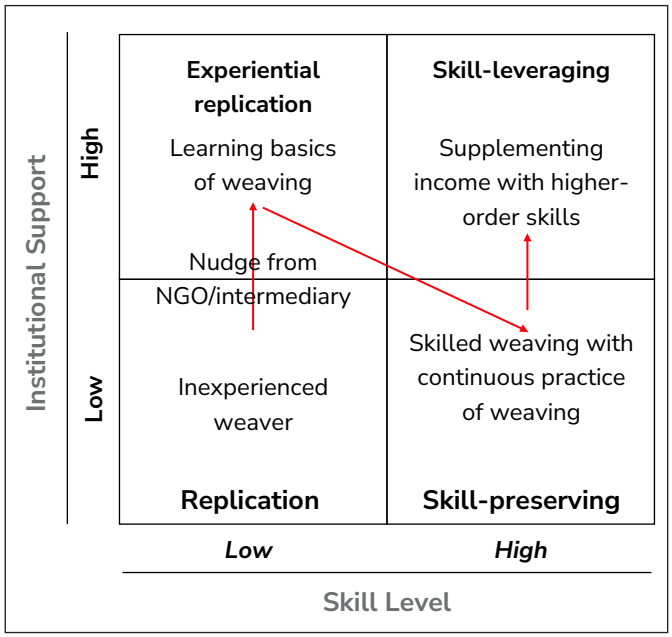
Organizations wanting to make a difference with CSR may also take inspiration from Kudumbashree — the government of Kerala's poverty eradication program — on how to provide institutional support to the entrepreneurs.[17] Kudumbashree not only provides support to tailors (among others) to improve their skills in garment making business but also provides marketing intervention by taking up a variety of development and support activities, ranging from facilitation of trade fairs, establishment of community-based networks for forward market linkages, establishment of retail brick and mortar stores and e-commerce and digital marketing.[18] Without such institutional support, there is very limited growth potential in the business of tailoring. The CSR initiative could be further aimed at opening mini apparel parks (which require a fair bit of capital expenditure) where 20 to 50 trained tailors can come together and engage in the production process with advanced facilities. This would be a case of CSR supporting a group of highly skilled necessity entrepreneurs (artisans) – and, in the process, helping the individual entrepreneurs, too.

Nudging up the value matrix

A separate study by Weber et al, asserts that necessity entrepreneurs may develop their skills through their own motivation to move up the skill value chain.[19] Let us take the example of weavers in Phulia town in West Bengal, India, who weave sarees for brands such as Suta. This $10 million ethnic wear brand in India has taken efforts to develop a base of 14,000+ weaver community to serve the growing saree market in India.[20] To begin with, an inexperienced worker might start with simpler tasks such as routine quality checks under the guidance of an experienced weaver. With Suta's support and training (high institutional support), the worker gradually acquires weaving skills. Over time, the worker hones these skills further through practice, even without direct institutional involvement. As their expertise grows, they may take on more advanced responsibilities, such as overseeing quality checks for other weavers. The weaver is then able to supplement their income by taking on related tasks, such as quality control inspections in Suta's warehouses, for which Suta

provides specialized training (as told by Suta's co-founder, Sujata Biswas).[21] This nature of engagement allows necessity entrepreneurs to move up by experiential replication (*see Figure 2*) and then sideways into high skill preserving and eventually moving to skill leveraging. The graph also shows how CSR managers need to have a long-term view of the impact of their activities.

Figure 2: Navigating through different entrepreneurial processes



Source: Adapted by the authors from the article by Dencker et al

CSR funding would exert a more profound and positive impact on the community, if the department complements funding with other forms of institutional support. For example, a popular CSR initiative in developing economies is training rural women in sewing. Once the training is over, the organization, as a part of its CSR, may donate sewing machines to these women and declare 'Mission Accomplished'. But problems often occur once the women leave the training, as they find it difficult to make a living from the sewing machines, if the demand for such skills is low in their communities. The same initiative could be much more effective if the organization continued its support beyond the initial training and also helped these entrepreneurs find suitable business opportunities, investing more effort to ensure the program participants' potential success. While this approach requires additional investment, it is also a platform for higher impact.

An organization's CSR initiatives can help support skill development as well as create levers in the form of capacity-building institutions. They can even, in some circumstances, act as intermediary organizations that can help shape the market for exchange of goods and services. These developmental resources can be rare and high-value additions to help unemployed, unskilled potential entrepreneurs become highly skilled workers who can own their businesses.

Chief Sustainability Officers should care to know their entrepreneurs well and ask, "What is the skill level and skill focus of the necessity entrepreneurs we wish to invest in?" "What are the best economic opportunities for this skill set?" and "What resources – such as, skilling, microfinance, and other institutional support – would help the entrepreneur make most of the available opportunities?" Getting answers to these questions will help organizations achieve the highest impact for their CSR investments.

Disha Bhanot *is Associate Professor with Operations Supply Chain Management & Quantitative Methods department at SPJIMR. You can reach out to her at* ***disha.bhanot@spjimr.org***

Sheila Roy *is Professor with Operations Supply Chain Management & Quantitative Methods department at SPJIMR. You can reach out to her at* ***sheila.roy@spjimr.org***

If you have some inputs you would like to share, you can also reach out to us at ***mpi@spjimr.org***

REFERENCES

[1]John C. Dencker et al., "Reconceptualizing Necessity Entrepreneurship: A Contextualized Framework of Entrepreneurial Processes Under the Condition of Basic Needs," *Academy of Management Review* 46, no. 1 (January 2021): 60–79, https://doi.org/10.5465/amr.2017.0471.

[2]Christiana Weber et al., "Varieties of Necessity Entrepreneurship – New Insights From Sub Saharan Africa," *Entrepreneurship Theory and Practice* 47, no. 5 (September 1, 2023): 1843–76, https://doi.org/10.1177/10422587221111737.

[3]Helena Vieira, "The Invisible Entrepreneur: From Unemployment to Unstable Self-Employment," *LSE Business Review* (blog), March 7, 2018, https://blogs.lse.ac.uk/businessreview/2018/03/07/the-invisible-entrepreneur-from-unemployment-to-unstable-self-employment/.

[4]"The ILO and the BRICS | International Labour Organization," accessed February 7, 2025, https://www.ilo.org/about-ilo/how-ilo-works/ilo-and-multilateral-system-0/ilo-and-brics.

[5]Hency Thacker, "Top 50 Companies for CSR and Sustainability in 2023," *The CSR Journal* (blog), May 3, 2024, https://thecsrjournal.in/top-companies-india-csr-sustainability-2023/.

[6]MICHAEL BLOWFIELD, JEDRZEJ GEORGE FRYNAS, "Editorial Setting New Agendas: Critical Perspectives on Corporate Social Responsibility in the Developing World," *International Affairs* 81, no. 3 (2005): 499–513, https://doi.org/10.1111/j.1468-2346.2005.00465.x.

[7]Michael E. Porter and Mark R. Kramer, "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility," December 2006, https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility.

[8]Abhijit Banerjee, Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, 2012, https://www.amazon.in/Poor-Economics-Radical-Rethinking-Poverty/dp/1610390938.

[9]Helena Vieira, "The Invisible Entrepreneur."

[10]Dosa is a well-known South Indian delicacy that looks like a thin, crispy crepe. Prepared from a fermented mixture of rice and split black gram, it has a distinctive tangy taste and a light, fluffy texture.

[11]Tarunvir Singh Sukhpal Singh, *Producer Companies in India*, 1st edition (Allied Publishers Pvt. Ltd., 2014).

[12]Press Release, "Olam Agri Launches Baking Academy to Create Economic Opportunities for Women in Nigeria," February 21, 2023, https://www.olamagri.com/news/press-release/olam-agri-launches-baking-academy-to-create-economic-opportunities-for-women-in-nigeria.html.

[13]Aroosa Ahmed, "Hindustan Unilever's Women Empowerment Project Shakti Rises by 50% over the Last 3 Years," *BusinessLine*, January 9, 2023, sec. Companies, https://www.thehindubusinessline.com/companies/hindustan-unilevers-women-empowerment-project-shakti-rises-by-50-over-the-last-3-years/article66357525.ece.

[14]Meryl, "HUL Project Shakti Is Empowering Women of New India," *IndBiz | Economic Diplomacy Division* (blog), April 30, 2021, https://indbiz.gov.in/hul-project-shakti-is-empowering-women-of-new-india-2/.

[15]MBA NOTES, "Unilever in India: Hindustan Lever's Project Shakti - A Case Study," May 1, 2021, https://www.linkedin.com/pulse/unilever-india-hindustan-levers-project-shakti-case-mba-notes.

[16]Alexandra Nemeth, "The Future of CSR: Inside Microsoft's MySkills4Afrika Program," May 13, 2021, https://blog.movingworlds.org/future-of-csr-microsoft-myskills4afrika/, https://blog.movingworlds.org/future-of-csr-microsoft-myskills4afrika/.

[17]Kudumbashree, "Kudumbashree | What Is Kudumbashree," accessed February 7, 2025, https://www.kudumbashree.org/pages/171.

[18]"Kudumbashree | What Is Kudumbashree," accessed February 7, 2025, https://www.kudumbashree.org/pages/171.

[19]Christiana Weber et al., "Varieties of Necessity Entrepreneurship – New Insights From Sub Saharan Africa."

[20]"Mapping the Journey of 'Suta,'" *The Telegraph*, July 13, 2021, https://www.telegraphindia.com/culture/style/mapping-the-journey-of-suta/cid/1822214.

[21]Sheila Roy and Renuka Kamath, "Born on the Internet, How Should Suta Grow?," *Emerald Emerging Markets Case Studies* 10, no. 1 (637136928000000000): 1–19, https://doi.org/10.1108/eemcs-05-2019-0105.

Article Information:
Date article submitted: Nov 27, 2023
Date article approved: Feb 7, 2025
Date article published: Mar 31, 2025

Images courtesy : www.freepik.com