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Book chapter :

Ratten, V., Jones, P., Braga, V. & Marques, C. (n.d). *Subsistence Entrepreneurship: The Role of Collaborative Innovation, Sustainability and Social Goals*. Subsistence Entrepreneurship, -6).

http://dx.doi.org/10.1007/978-3-030-11542-5_1

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Subsistence Entrepreneurship: The role of collaborative innovation, sustainability and social goals

Vanessa Ratten, Paul Jones, Vitor Braga and Carla Susana Marques

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Introduction

The world population is growing and there are a number of people who live in poverty. This has led to a need to produce products and services at an affordable rate. The goal of this book is to understand the way low priced products and services are being produced by subsistence entrepreneurs through a variety of different contexts. This book offers an analysis of the

practices of subsistence entrepreneurs through their cultural and social endeavours. This chapter begins by discussing the literature on subsistence entrepreneurship, which is followed by some implications for research and public policy.

Subsistence entrepreneurs are individuals at the base of the pyramid who are considered poor and barely make a living (Viswanathan et al, 2010). The base of the pyramid market “is characterized as illiterate, in poor health, of meager resources, inaccessible by media, geographically isolated and inexperienced with consumption” (Nakata and Weidner, 2012:21). Individuals living a subsistence existence tend to have few resources and focus on short term objectives. Subsistence entrepreneurs help to alleviate poverty by operating small businesses. Viswanathan et al (2014:1) define subsistence entrepreneurship as “entrepreneurial actions, undertaken in the informal sector of the economy, by individuals living in poverty in bottom of the pyramid (BOP) or subsistence marketplaces to create value for their consumers”. The bottom of the pyramid has also been referred to as ‘the base of the pyramid’, ‘low income consumers’ and ‘subsistence consumers’ (Nakata and Weidner, 2012).

Many subsistence entrepreneurs have social vulnerabilities due to where they work and their living conditions (Ratten, 2014). This has led to subsistence entrepreneurs needing to think and act differently to other forms of entrepreneurs (Dana and Ratten, 2017). The unique setting for subsistence entrepreneurship requires a consideration of the context in terms of sustainability and social goals. The large population in emerging economies like China and India have required a reexamination of low income consumers in these countries as their sheer number makes them an important consumer segment (Ratten, 2017).

Subsistence markets are defined as “markets in which consumers barely have sufficient resources for day-to-day living” (Rivera-Santos et al, 2012:1722). These markets comprise subsistence entrepreneurs who are also referred to as subsistence consumer-merchants because they both consume and operate small businesses (Venugopal et al, 2015). Subsistence consumers are different to other types of consumers as they face uncertainty in their daily activities. This results in a lack of control over whether they are able to buy and consume certain products. Weidner et al (2010:559) states “subsistence consumers, both individuals and families, live in substandard housing and have limited or no education; they also have limited or no access to sanitation, portable water, and health care, and earn minimal income”. This makes it challenging for businesses focusing on these consumers as they struggle to understand their buying patterns (Ratten and Ferreira, 2017). In addition, many subsistence consumers have limited transportation, which makes them reliant on certain geographical areas for their product needs. This is reflective in the low levels of education amongst subsistence consumers and the lack of infrastructure in these geographic locations (Ratten and Welppe, 2011).

Work on subsistence entrepreneurship has been limited in the mainstream entrepreneurship literature due to the emphasis on corporate entrepreneurship. This omission has resulted in an increase in social entrepreneurship but still the research on subsistence entrepreneurship is lacking (Ratten, Ferreira and Fernandes, 2016). However, this is changing as there is both kudos and money to be gained from researching subsistence entrepreneurship. This derives from governments and international aid organizations wanting to help people at the bottom-of-the-pyramid. Moreover, there is an awareness from business people about market potential in subsistence markets. Due to innovation being a necessity for those in subsistence markets, it can

breed business creation. In addition, the entrepreneurial spirit of consumers at the bottom-of-the-pyramid is interesting.

The aim of this book is to fill a gap in the literature by providing a number of studies on subsistence entrepreneurship and collaborative innovation. The motivation for this book is to expand the knowledge on subsistence entrepreneurship in order to guide future research. By doing so, a better understanding of the way to manage innovation can be presented. The chapters in this book are both exploratory and explanatory in nature, thereby presenting a broad overview about the role subsistence entrepreneurship plays in society. We hope that the chapters in this book will spur more work into what makes subsistence entrepreneurship unique and deserving of more attention.

Goal of book

The chapters in this book constitute a preliminary effort to examine the role of subsistence entrepreneurship in the global economy. The chapters vary in scope and detail with a range of geographic settings included. This enables a comprehensive understanding about the role of subsistence entrepreneurs in society. Accordingly, whilst the results of each chapter are somewhat exploratory in nature the findings contribute to our knowledge about subsistence entrepreneurship. There needs to be more emphasis on the uniqueness and vitality of subsistence entrepreneurs, who are very useful in linking social and cultural conditions with business activity. Interesting questions still remain about the specifics of subsistence entrepreneurship such as: How do entrepreneurs in subsistence marketplaces use their networks to find

information? Do they rely on social networks to facilitate word of mouth marketing or do they use technological devices?

Overview of chapters

The chapters in this book all relate to the interplay of collaborative innovation, sustainability and social goals. The second chapter of this book titled ‘subsistence entrepreneurship in ethnic religion and socio-cultural spaces-a case study’ focuses on the social aspects of subsistence entrepreneurship. As religion and culture have a impact on subsistence consumers it is important to understand the role ethnicity can play. The third chapter titled ‘firm founders’s passivity as a source of serendipitous opportunity discovery’ focuses on a new context for subsistence entrepreneurship in terms of chance encounters leading to business ventures. This is an interesting chapter as it analyses the discovery process leading to subsistence entrepreneurship. The fourth chapter titled ‘commonomics: Rhetoric and reality of the African growth tragedy’ analyses the context of emerging economies and subsistence entrepreneurship. This is an important context given most subsistence entrepreneurship occurs in developing countries. The fifth chapter titled ‘entrepreneurship in the solidarity economy: A valuation of models based on the quadruple helix and civil society’ focuses on a new form of economic evaluation leading to social change. This is an important part of understanding how government, business and education interlinks to enable entrepreneurship. The sixth chapter titled ‘evaluating the business model of a Work Integration Social Enterprise in Cantabria’ focuses on social issues surrounding entrepreneurship. The seventh chapter is titled ‘encouraging Indigenous Self-employment in Franchising’ and focuses on disadvantaged communities. The eighth chapter is titled

‘transformational entrepreneurship through social innovation and public sector management’ and examines the public sector. The ninth chapter is titled ‘shadow economy index for Moldova and Romania’ and analyses the informal economy in Europe. The tenth chapter is titled ‘survivability and sustainability of traditional industry in the 21st century: A case of Indonesian traditional furniture SME in Jepara’ and highlights how emerging economies in Asia are utilizing sustainable forms of entrepreneurship. The eleventh chapter is titled ‘the minimum wage fuels Romania’s shadow economy?’ and analyses the informal sector. The twelfth chapter is titled ‘gamifying innovation and innovating through gamification’ and discusses the technology aspects surrounding social innovation. The thirteenth chapter is titled ‘work hard, play hard: work-life balance in small business’ and focuses on the small enterprises in communities. The fourteenth chapter is titled ‘stay ahead of a game or stay still: The impact of learning and development on business performance’ and provides a good overview of future innovation scenarios.

Managerial implications

The chapters in this book present promising research avenues for subsistence entrepreneurship. It is worthwhile noting that whilst subsistence entrepreneurship can occur in any economic setting, most of it tends to be in developing economies. Subsistence entrepreneurship can be used as a social action tool in broadening consumer engagement and achieving better societal interaction with low income consumers. The availability of low priced goods and services is needed by the poor and marginalized communities. Large multinationals are realizing the potential of this market and deliberately devising products to suit these consumers.

For entrepreneurship practitioners, the chapters in this book highlight the need for a holistic approach to subsistence business practices. The chapters in the book point out that there are various forms of subsistence entrepreneurship. Entrepreneurship practitioners need to use marketing in terms of integrating social needs with business practices. In order to improve rates of subsistence entrepreneurship, entrepreneurs need to make their products in a way that appeals to consumers. This includes designing products that fit into subsistence consumer's lifestyles. The practice of subsistence entrepreneurship is complex and requires dedication. As the chapters in this book demonstrate, there are some hindrances to successful subsistence entrepreneurship that can be alleviated by proper planning. An implication of this is the need for entrepreneurs to rethink the development process. Traditionally, subsistence products have been less costly forms of existing products in the market. But this approach should change with a realization that some products are naturally for subsistence consumers. Due to unforeseen events and occurrences in the international market, different approaches to the innovation process for subsistence entrepreneurs need to be taken into account.

Research implications

The chapters in this book have important research implications for the general field of subsistence entrepreneurship but also related fields such as marketing, innovation and management. As shown in the chapters of this book, not all subsistence entrepreneurship is the same. In developing countries, subsistence entrepreneurship is likely to be related to product market differentiation rather than technological innovation. This is due to the need for low cost products that can be used for a number of reasons. In addition, an appreciation of the

requirements of bottom-of-the pyramid consumers is needed to understand adoption behavior. At the moment, we still do not know whether the innovation adoption process differs amongst developed and developing countries in terms of subsistence products. Thus, another research implication is to study the determinants and outcomes of adoption behavior for subsistence entrepreneurship. Among the questions to address are what cycle of adoption behavior is used by subsistence consumers and whether context affects the consumer experience. Additionally, more information about how to predict and explain subsistence entrepreneurship is needed. This includes focusing on consumers as co-creators of product innovations.

The foregoing chapters leave some interesting areas for future research. First, there needs to be more work on the different levels of analysis in subsistence entrepreneurship such as the entrepreneur, government and surrounding environment. This will enrich the literature by providing different perspectives about stakeholder engagement in subsistence entrepreneurship. Second, a deeper understanding is required about the different forms of subsistence entrepreneurship. Past research has tended to use developing countries as the context but there are other contexts also prone to subsistence entrepreneurship. This includes rural and peripheral communities that have fewer resources than urban localities. There is little research on subsistence entrepreneurship in developed countries. This leads to intriguing research possibilities that can delve deeper into how context affects entrepreneurship.

The pioneering nature of this book lends itself to some unique research findings. Subsistence entrepreneurs have a different experience in new product development as they learn by experience. This provides an opportunity to compare different practices for managing in subsistence marketplaces. This is of great benefit for entrepreneurs who intend to be in subsistence markets that can be in turn applied to other market places. This book provides an

opportunity to broaden our understanding about the resource barriers to subsistence entrepreneurship. We bring into focus the need for subsistence entrepreneurship by emphasizing its importance.

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