

**THE REALITY OF HIGH PROFILE OPTIONS: EXPORT, POVERTY
AND THE “E” DIMENSION**

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Introduction: Let's get our definitions right

The well-deserved importance given to poverty reduction motivates a host of national and international organizations, governments and NGOs to work to alleviate poverty; each tries to generate solutions from their own perspective. These efforts, in the midst of imprecise definitions and a mixture of alternate solutions, reflect the lack of a pragmatic model to generate sustainable solutions to the problems faced by poor communities. Nevertheless, it is often implied by these parties that exporting and “e” can help alleviate poverty. The task at hand in this paper is to discuss “e” as an option to bringing the poor into the export process to reduce poverty. To discuss this we need to set down clear definitions of poverty, “e” and export.

Plainly stated, poverty is the state of being of the poor. Poverty reduction therefore is to reduce the number of people who are poor. For this definition to be useful for discussion we need to clearly define poor. Unfortunately, published material on this subject is of little help. For example the Asian Development Bank defines poverty as “the lack of power to participate in making decisions that shape one’s life and to access basic education, health care, nutrition, water and sanitation, as well as income, employment and wages.”¹ This statement is not a definition of poverty, but is a description of its causes and symptoms. To set down an understanding of poor in this paper we will use these definitions from the World Bank. “**Extreme (or absolute) poverty:** Living in extreme poverty (less than \$1 a day) means not being able to afford the most basic necessities to ensure survival. And **Moderate poverty:** Moderate poverty, defined as earning about \$1 to \$2 a day, enables households to just barely meet their basic needs.”²

Turning to the “e” dimension, it can be interpreted as: applications of Information and Communication Technologies (ICTs). As in the case of poverty, there is no widely accepted definition of “ applications of ICTs”.

For clarity and the purposes of this paper, we will define the “e” dimension in terms of the user of ICT applications. Accordingly, the “e” dimension is defined as: “employing the available ICTs to increase the efficiency and effectiveness of undertaking business tasks to meet the objectives dictated by the strategy of the business.”³

Last in this list of definitions is export. Exporting is widely understood as the trade of goods and services across borders. The title of this paper states, “bringing the poor into the export process”. To discuss how the poor could be brought into the export process we first need to define the export process. All businesses need to build their production and marketing capabilities to do any kind of trade. Once built, they can then conduct sales transactions utilising these capabilities. The export process applied to one transaction with a client across a border is defined as a cycle consisting of three steps⁴:

- Getting an order;
- Fulfilling that order; and
- Getting paid for that order.

Therefore, bringing the poor into the export process means enabling them to assume a role in one, two or all three of the above.

¹ Asian Development Bank, Fighting Poverty in Asia and the Pacific: The Poverty reduction strategy, Policy papers, November 1999.

² Taken from http://www.netaid.org/global_poverty/global-poverty/;

A virtuous circle: Export development, poverty reduction and empowerment, Getting started - Is it a question of education or entrepreneurship? Osman Atac and Ann Penistan. The ITC Executive Forum 2006, Berlin, Federal Republic of Germany

³ The E-Trade Bridge paradigm, International Trade Centre, ITC UNCTAD/WTO, Enterprise Management Development Section 2002.

⁴ The Business Management System: A framework for international competitiveness, ITC UNCTAD/WTO, Enterprise Management Development Section 2006.

It has been established that exporting alleviates poverty⁵. Therefore the question that remains is, whether ICT applications can bring the poor into the export process.

A link between the export process and ICT applications (“e”)

As of now, there is no empirical evidence of a link between alleviating poverty and “e”.⁶

There is, however, an ample supply of empirical and conceptual evidence that export alleviates poverty and that “e” facilitates exports. At first sight, this lack of a direct link between “e” and poverty reduction may present a conundrum. However it is understandable as “e” is simply a way of doing things. Businesses do not do “e”, managers “e”-nable their businesses, that is, they undertake tasks and use “e” to increase effectiveness and efficiency. It is **what** the business does, not **how** it does it that would help to alleviate poverty.

The question of whether or not “e” would enable the poor to come into the export process should be discussed on the basis of the above argument. We first need to decide what the conditions would be for exporting and then see if “e” would help with the export process.

Integrating the poor into the export process: The role of ICTs

Let’s begin with a clear understanding of the “export process”. This would allow us to fully comprehend where exactly the poor might be integrated into it and what role ICTs would play.

The export process

As was stated earlier, the export process is cyclical and consists of three elements:

- Getting an order;
- Fulfilling an order;
- Getting paid.

It was also stated that integrating the poor into this process would mean enabling the “poor” to take charge of any or all of these elements and for the purpose of increasing income.

However, it is obvious that getting orders, fulfilling orders and getting paid cannot be possible unless there is an offer for a market and a capacity to produce that offer. Thus, although the export process is a cycle in itself, it follows a previous cycle where appropriate production and marketing capabilities are built.

To build these capabilities, there must be a decision about what offer would be produced, for which market/segment(s). In other words a decision must be made concerning the definition of the “business”. In a competitive environment, this decision must take into account national and international competition and build the production and marketing capabilities in such a way that the business is “competitive”. Competitiveness can simply be defined as the bargaining power that a business has with its buyers (and suppliers) concerning the product and its attributes, its quality, its price and delivery terms. It is said that a business is strategizing when it decides “what to produce for whom” and what production and marketing capabilities it needs to gain bargaining power with its

⁵ It is to be noted that it is not any exporting that leads to the alleviation of poverty but exporting that adheres to the following description. Export development is increasing the number of exporting enterprises that generate net returns and are sustainable. At a minimum this income must generate enough net returns to replenish the resources the enterprise has consumed. By net returns we mean that the enterprise can replenish itself and its environment with what it consumes and neither the physical nor the social environment is exploited. A business that generates net returns as described, must also be sustainable. These two qualifications, that is, net returns and sustainability are important. If a business that **does not** generate net returns is **not sustainable**, then there will be a short-term cost of lost jobs and income etc. If a business that **does not** generate net returns is **sustained**, the social costs could be even higher. Now, if a business **that generates** net returns **can be sustained**, the business and the society jointly reap the benefits. BUT if a business **that generates** net returns **cannot be sustained**, the fallout results in lost jobs, lost hopes, and, perhaps most detrimental, lost opportunities. This scenario needs to be prevented.

⁶ ICTs for Poverty Alleviation: Basic Tool and Enabling Sector, ICT for Development Secretariat, SIDA, November 2005; ICT for Poverty Reduction: Necessary but Insufficient, UNDP, <http://www.apdip.net/resources/ict-poverty-reduction>.

buyers.⁷ In the absence of a strategy and appropriate production and marketing capabilities, discussing whether or not ICTs would integrate the poor into the export process is an esoteric mental exercise.

Where might ICTs help to alleviate poverty through exporting?

Taking a closer look at the three building blocks of a business - strategy, capability building and the export transaction cycle - will help us understand whether ICTs may be useful to help the poor integrate into the export process.

As should be obvious, strategizing requires detailed information about markets/ segments and competitors. At this stage the purpose is to identify the unmet needs and wants of market/segment(s) and design an offer to meet them. In depth analysis of this information is required to do this. Creative thinking and innovativeness is as crucial as the timeliness, accuracy and relevance of information.

The use of ICTs at this stage, especially vis-à-vis information collection about buyers, competitors and suppliers, helps the decision makers. Needless to say, this is a phase where considerable sophistication is required from the decision makers. Whether the "poor" possess this sophistication is doubtful. With or without ICTs, the "poor" are not likely to have the necessary skills and knowledge to position an offer that will lead to a sustainable business.

Once the decision about "what to produce for whom" is made (business definition), the business now needs to decide (plan) how it should be made (production capabilities) and how it should be marketed (marketing capabilities).

Production capabilities refer to the decisions about the production process, the quality of the offer, the supply chain and the determination of the acceptable levels of the cost of production. Marketing capabilities refer to the decisions about how the offer of the business would be "communicated" to the target market/segment(s) and how it would be distributed. These decisions must be made simultaneously and must be integrated into the "strategy" of the business.

Installing the needed capabilities requires the acquisition and the allocation of the following resources: human, financial, information/know-how, physical assets and networking. Here, ICTs can play an important role in determining what specific types of capabilities are needed and in their acquisition. Furthermore, ICTs can be integrated into the capabilities themselves, such as purchasing via the Internet, intranet for cost control, tracking distribution, etc.

Whether the "poor" possess the skills and knowledge to make these decisions, as well as to acquire the necessary resources to build the desired capabilities with or without ICTs, is once again doubtful.

It is probably a sensible conclusion that with or without ICTs, the "poor" are not in a position to be integrated into the prerequisites of the "export process", as they lack the skills and knowledge required to strategize, plan, and acquire the resources needed to build the capabilities to produce and market an offer for international markets.

Assuming that the strategy and capability cycles are completed by those who possess the required means and the knowledge/skills, the question now is whether ICTs can help integrate the poor into the export process by either making it possible (as traditional ways of getting/fulfilling orders and getting paid does not allow) or, by making it more effective and efficient or simply, easier. To address this question we need to look into the export cycle a little closer.

Getting an order is a combination of undertakings, such as prompting and responding to inquiries, pricing and quoting, writing specifications and negotiating. Here ICTs can be helpful in many ways. Using the Internet to initiate an inquiry, to respond to enquiries, or to search for appropriate trade fairs to attend in order to prompt an inquiry, are just a few examples.

⁷ The Business Management System: A framework for international competitiveness, ITC UNCTAD/WTO, Enterprise Management Development Section 2006.

Fulfilling an order is a combination of tasks covering an estimation of the production costs for a single order, initiating production, scheduling work, routing it - in other words, ensuring that the order is produced and shipped to the buyer on time. Here ICTs can also help in order processing, shipment tracking, etc.

Getting paid is where the business replenishes the resources it has consumed and serves to complete the cycle by closing the order. Here ICTs are once again relevant. In environments where the infrastructure is available, most financial transactions are conducted on the Internet.

We can see there is a multitude of tasks that need to be carried out to complete one single order from beginning to end. For the business to be sustainable it will need to be processing many of these orders at the same time and these orders will be in different stages of the cycle.

Where can the "poor" be integrated into this cycle? It is conceivable that with a little training the "poor" can be integrated into the entire process or parts of it using ICTs. For example, they can use ICTs to prompt and respond to sales enquiries. They can collect information about current prices for pricing and quoting purposes. They can communicate with the suppliers to fulfill an order. They can keep track of their costs of production. They can enquire about specifications and adopt them. They can even conduct financial transactions on the Internet. All of these assume that a market is selected, an offer is designed and the necessary production and marketing capabilities are built.

Conclusion

It has been observed that there is no empirical link between "e" and poverty alleviation. There is a link between "e" and exporting, and between exporting and poverty alleviation. These apparently puzzling observations are explained by describing "e" as a way of doing things and not a thing to do.

The export process depends on an accurate strategy, and the availability of appropriate production and marketing capabilities. Without them, there cannot be a sustainable export process. ICTs are relevant to all stages of building a business, from strategy design, building of production and marketing capabilities, to the management of the transaction cycles.

The poor do not have the necessary skills and knowledge to design strategies and build the production and marketing capabilities, with or without ICTs. However, ICTs can help the "poor" in managing the export transactions more effectively and efficiently if the requisite skills and knowledge can be transferred to them.

Harking back to the beginning of this paper and the lament that a pragmatic model with clearly defined terms of business and offering possible solutions is lacking, this paper has set out to show that a system of business can integrate the poor into the export process. This model asserts that, in order for poverty alleviation programmes to be sustainable, there has to be a trade component in them, as, other than charity, trade is the only way to replenish the diminishing resources. Yet in order for trade to achieve this objective, there has to be an entity in the community to undertake trade on an internationally competitive basis. To be internationally competitive the entity has to be management ready - acquire, allocate and monitor resources to build production and marketing capabilities; be export ready - able to get orders and fulfill orders and get paid internationally; and be "e" ready to be able to use technology when and where it is needed to improve the efficiency and effectiveness of the entity. Neither such an entity nor all the capabilities and competencies mentioned here exist in a poor community. Therefore, the first order of business for any poverty alleviation programme should be the creation of such an entity through a consortium of stakeholders based on their expertise to design strategies, build marketing and production capabilities, then introduce ICTs into the appropriate undertakings of the export process. This approach would integrate the poor into the export process and, in doing so, greatly contribute to the generation of sustainable solutions to the problem of poverty.