



## Defining success in subsistence businesses

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### ABSTRACT

Subsistence entrepreneurs play an important role in developing economies by forming small businesses that represent a way of life, providing employment at the base of the pyramid and contributing to the alleviation of poverty. The definition of success for subsistence businesses has not yet been well established in SMEs literature, in which success is related to financial measures. However, not all businesses can be measured with the same indicators of success. Financially-oriented measures of success may not always be appropriate for assessing socially embedded businesses. This paper begins to address this gap by assessing how subsistence entrepreneurs themselves define and achieve business success. For this exploratory research, in-depth interviews were conducted with eighty-five subsistence entrepreneurs. Discriminant function analysis typified five subsistence business groups: family-limited businesses, motivationally limited businesses, past boom businesses, followers, and leaders. Several factors separate the business groups, including the education and complacency of the entrepreneur, sales revenue, long-term business plans, acceptance of technology, growth intentions and commercialization into international markets. In contrast, socio-cultural attributions such as family value, goals, and motivation to get into and stay in business represented commonalities between subsistence businesses in terms of their definitions of success.

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### 1. Introduction

Researchers and marketing, management, and strategy practitioners are examining the potentially attractive business opportunities to be had by targeting consumers and producers at the base of the pyramid. This approach could positively affect poverty conditions for more than 4 billion people who live at or close to a subsistence level (Pralhad & Hart, 2002; Viswanathan & Rosa, 2007). Multinational corporations that operate in subsistence markets may dramatically increase their profits by serving the largest segment of the global pyramid through innovative marketing strategies (London, Anupindi, & Sheth, 2010; Prahalad & Hart, 2002).

Karnani (2007) argues that a better way to alleviate poverty is to look at people at the base of the pyramid as producers, and not only as consumers. Most producers at the base of the pyramid are entrepreneurs operating in subsistence marketplaces, or small businesses in industries, such as the agriculture and artisanal sectors (London et al., 2010; Toledo, Hernández, & Griffin, 2010; Viswanathan & Rosa, 2007). Subsistence businesses usually participate exclusively in local economies, rarely in national ones, and almost never in international markets (Liedholm, 2002; Mensah, Tribe, & Weiss, 2007). These businesses differ from those in developed markets (London &

Hart, 2004) and, as a consequence, their concept of success can be different.

Research in emerging economies finds that subsistence businesses not only offer a standard of living and income opportunities for many families, but also provide employment to their peers at the base of the pyramid, and contribute significantly to national economic growth (Liedholm, 2002; Mensah et al., 2007; Rena, 2009; Toledo et al., 2010). In Mexico, for example, micro and small enterprises represent 95% of the total registered companies, generate 52% of the Gross Domestic Product (GDP), and contribute to 72% of formal jobs (INEGI, 2009; SE, 2010). In the artisanal industry, small businesses are able to survive in hostile environments, even for generations (Malinowski, De la Fuente, & Drucker-Brown, 1982). Business profits are the principal source of income for entrepreneurs and their families, and these profits contribute to the well-being of communities, including economic support for culturally important religious and public celebrations and for infrastructure development (Hernández, Yescas, & Domínguez, 2007; Toledo et al., 2010).

Research on small and medium enterprises (SMEs) does not adequately address the success of socially embedded subsistence businesses (Curry, 2005; Hernández et al., 2007; Paige & Littrell, 2002; Shivani, Mukherjee, & Sharan, 2006). The Oxford dictionary defines success as “the accomplishment of an aim or purpose” (Oxford Dictionaries, 2010); in order to define the success of a subsistence business, it is necessary to establish the entrepreneur’s aim or purpose. The present study addresses this gap in the literature by exploring how subsistence entrepreneurs define and achieve business

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