Sustainable Value Creation among Business Models at the Base-of-the Pyramid (BoP)

Abstract

As the boundaries of business and development are merging, MNCs, entrepreneurs and other actors are increasingly interested in tapping the Base-of-the-Pyramid (BoP) - the 4 billion people living on less than $2/day. This has resulted to a new breed of business models and value creation strategies. Scholars are, however, fragmented and have different perspectives in viewing the BoP phenomena. Nevertheless, value creation, particularly sustainable value creation, is at the core of the myriad definitions of business models at the BoP. This paper initially presents a framework integrating value creation from the different theoretical lenses, reflecting sustainable value creation and BoP reality as a kaleidoscope of the different perspectives of the firm. Using case survey method, this paper also aims to develop a typology of existing BoP cases based on their value creation strategies, thus, identifying various groups of BoP business models according to how they create sustainable value.

Key words: Base-of-the-pyramid, Business Models, Value Creation

1 Introduction

The worlds of business and development appear to be merging. Companies are getting more engaged in social and environmental concerns while development agendas encourage market inclusion and creation. Their common goal is to contribute to poverty alleviation, and sustainable development. As the various academic disciplines like economics, geography, and sociology have been studying this phenomenon, it has been covered in the management literature by the Base-of-the-Pyramid (BoP) concept.

The BoP concept has its origin in the works of Prahalad and Hart (2002), arguing that there is a fortune to be made at the BoP or the 4 billion people living on less than $2 per day. Their proposition has created various debates and resulted in numerous studies, both among academicians and practitioners. On one hand, succeeding studies have supported and further built on the concept as far as having a BoP Protocol or a set of business tools and practices guiding MNCs in entering the BoP market (e.g. Prahalad, 2005; Hart, 2005; Simanis and Hart, 2008). On the other hand, there are critical studies against its assumptions and impacts, focus on consumption, over-confidence on market forces, etc. (e.g. Karnani, 2006, 2007 and 2009; Murphy, 2008). Karnani (2009) argues that market solutions for poverty oftentimes romanticize the poor as creative entrepreneurs and discerning consumers. This portrayal is not always the case and can be dangerous as it overlooks the vulnerability of the poor. Other branches of study investigate innovation (e.g. Christensen and Hart, 2002; Christensen, et al., 2006; Kandachar and Halme, 2008) and strategy at the BoP (e.g. London and Hart, 2004 and 2005; Porter and Kramer, 2006).

BoP studies are not only authored by academic scholars. Practitioners in development agencies, consulting firms and international think-tanks have also been engaged in BoP research (e.g. UNDP, 2008; World Economic Forum, 2009; World Resource Institute, 2007; World Business Council for Sustainable Development, 2004; Lenstra and Wälzholz -KPMG, 2008; Karamchandani, et al. – Monitor Group, 2009). Their focus is mostly on the different business models and how they can be replicated and scaled up. Research alliances between practitioners and academicians, like the so-called BoP learning labs in different parts of the world, have also emerged as a result of the resources and attention the BoP has been receiving.

In the literature, there are other terms used like inclusive markets, emerging market models, untapped markets, and the like that refer to the BoP. Different types of business models also appear. The most common would be micro-finance institutions, popularized by Nobel laureate Mohammed Yunus' Grameen Bank. Other business models would be in the forms of MNC-local business partnerships, NGO-driven businesses as well social entrepreneurship. Karamchandani, et al. (2009) alternatively identified the business models that focus on serving the poor as customers (i.e. pay-per-use approach, no frills service, paraskilling and shared channels) and those that devise ways of engaging low-income suppliers or producers (i.e. contract production, deep procurement, and demand-led training). Thus, there are multiple ways of grouping and identifying business models.

The various interpretations and growing typologies among business models reflect that there is a need to further link academic and practitioner research, as well as theoretical and empirical research. It appears that the heterogeneous nature of business models at the BoP requires a broader and integrated theoretical perspective that can better explain, understand and accommodate the various value creating strategies at the BoP. Currently, as one tries to come up with a typology of business models at the BoP based, for instance on the value they create, one realizes that a broader theoretical approach is needed to capture the different dimensions from which one can base its grouping of the value creating activities.

Thus, upon focusing on the value creation aspect of business models, the aim of this paper is to create an integrated framework of sustainable value creation at the BoP, as well as to develop a typology of business models based on their value creation strategies. In doing so, the concepts of business model and value creation are investigated, as well as how the different theoretical perspectives conceptualize value creation. The latter is important because a broader and holistic theoretical perspective is required to fully understand and accommodate the diverging views of value creation, and to consequently identify the different business models adapting these value creation strategies.

2 Literature Review

2.1 Business Models at the BoP

The term "business model" is loosely used in the academic literature, giving confusion because of its myriad definitions. For instance, Amit and Zott (2001) define business model as a depiction of the content, structure and governance of transactions designed so as to *create value* through the exploitation of business opportunities. On the other hand, Petrovic, et al. (2001) describes business model as the logic of a business system for *creating value* that lies beneath the actual process. Alternatively, Morris, et al. (2005) identify three categories of definitions of business models – economic, operational and strategic. An *economic business model* (revenue model) concentrates on the logic of "profit generation, having revenue streams, pricing models, and cost structures as its critical components". The *operational business model* represents the architectural configuration of "internal processes and design of infrastructure that enables the firm to create value". The *strategic business model* is more concerned with the "market positioning, overall direction in the firms market positioning, interactions across organizational boundaries, and growth opportunities". Of concern is competitive advantage and sustainability, wherein decision elements include stakeholder identification, value creation, differentiation, vision, values, and networks and alliances. Finally, Klein (2008) defines strategic business model to represent the core logic of how a unit conducts business so that it can sustain itself (i.e. how a unit creates value, appropriates value, and ensures its future viability, thereby explaining how it, in interaction with its environment, positions itself within the fitness landscape). He gives a framework of business model qualities, which consists of the following elements: scalability, value proposition, embeddedness, local capacity building, and learning through native capability.

Practitioners are more pragmatic in their definitions of business models at the BoP. For instance:

- The product or service offering, as well as the operational processes and financial arrangements, which comprise a specific private-sector activity or programme. "Operational processes" include preparation and delivery of the product to the customer. "Financial arrangements" include investments, credit, costs and revenue that lead to value creation. "Business model innovation" involves significant changes in two or more components of the business model to redefine a company's position in the market and create superior value. (World Economic Forum, 2009, p. 36)

- A business model performs two important functions – it creates value and it captures a portion of that value. We consider a business model as a particular set of business elements that serve customers or engage suppliers, producers, or workers in low income segments. We also stipulate that such models be commercially viable and show potential to achieve large scale (Karamchandani, et al. - Monitor Group, 2009, p.21)

- Successful business models reflect a combination of focusing on core competencies, partnering with external resources across sectors that offer complementary expertise, and localizing value creation by harnessing local intelligence and capabilities. (WBCSD, 2004, p. 18)

Discounting the definitional differences, it is evident that the overlapping concept present among the definitions of business models is *value creation*. Al-Debei, et al. (2008) argue similarly as they showed value proposition as a common factor, upon juxtaposing the different definitions of business models and their basis for the definition. As Amit and Zott (2001) claim, a firm's business model is an important locus of innovation and a crucial source of value creation for the firm and its suppliers, partners and customers.

In the BoP context, it is often assumed that value is indeed created by different business models. However, scholars and practitioners, coming from various theoretical platforms do not agree if this is the case and are not unanimous and explicit with what they mean by value, for whom, and if it is sustainable or legitimate. As a result, redundant debates and fragmented research slows down BoP research.

2.2 Value and value creation at the BoP

The concept of value dates back to the time of Aristotle, and has been discussed in the works of Adam Smith, Karl Marx and other great intellectuals. Aristotle saw that value is determined by the amount of utility a good has to fulfil a person's needs (Younkins, 2005). He argued that goods have two values, namely, *use-value* (i.e. social use value or intrinsic characteristics of a product which enable it to satisfy a human need or want, and is generally accepted by others in the society) and *exchange-value* (i.e. prices and price-relations). The latter has been the focus of economists with the expansion of the market economy, and most management literature assumes exchange value in studying value creation.

In modern times, value has been researched in different academic disciplines, resulting to different interpretations and definitions. It is a highly loaded term in the social sciences, particularly management, and the norm is that related terms (e.g. value added, value creation, value capture, value chain) has been defined through reference to value, which itself is not defined (Pitelis, 2008). Nevertheless, Pitelis (2008) defines value as perceived worthiness to a final or target user of a product or service, and it can be potential or realised. His definition is still associated with economic value as he views that perceived worthiness can be due to rarity, aesthetic appeal, a perceived satisfactory price, or a combination of these factors. Given this definition, value creation is the additional perceived worthiness effected through reduced prices or increased differentiation.

A number of management studies cover the diverse dimensions of value, other than economic value, such as relationship and social value (Seelos and Mair, 2005; Ulaga, 2003; Gassenheimer, et al., 1998), customer or consumer value (Prahalad and Ramaswamy, 2004), as well as shareholder and sustainable value (Hart and Milstein, 2003). Prahalad and Ramaswamy (2004) argue that company-centric value creation is becoming obsolete and what is emerging is the co-creation of value with the consumers. The traditional view is that products and services contained value, and market exchanged this value, thus, value creation occurred outside the markets. They argue that this distinction is disappearing and consumers are increasingly engaging in the process of defining and creating value.

Value creation at the BoP is often linked to sustainability. Hart and Milstein (2003) offer a sustainable value framework that links the challenges of global sustainability to the creation of shareholder value by the firm. Shareholder value is viewed to be a multi-dimensional construct, having the following dimensions: the need to realize short-term results (today) while also generating expectations for future growth (tomorrow); the need to grow and protect internal organizational skills and capabilities (internal) while infusing the firm with new perspectives and knowledge from the outside (external). They argue that the global challenges associated with sustainability, viewed through the appropriate set of business lenses, can help to identify strategies and practices that contribute to a more sustainable world and simultaneously drive shareholder value – and they define this as the creation of sustainable value by the firm.

Halme and Laurila (2009) consider value creation at the BoP as closely related to innovation, emphasizing the development of new business models for solving social and environmental problems. They differentiate this with other types of corporate responsibility activities such as philanthropic (i.e. emphasis on charity, sponsorships, employee voluntarism, etc.) and integration (i.e. emphasis on conducting existing business operations more responsibly). Corporate responsible innovation entails the extension of the core business, thus, the activities are fully integrated to the business, in contrast to philanthropy and integration, wherein the activities respectively lie outside the core business and partially integrated with the core business.

Given these views, value creation at the BoP entails dimensions, such as integration, impact, locus, and time. It considers the various facets of value beyond its economic interpretation and goes beyond creating value solely for the firm.

3 Theoretical Perspectives and Analytical Framework

The optimistic assumption among management scholars that the firm creates value and is beneficial has been increasingly questioned in the wake of corporate scandals, climate change and the changing role of business in society. Forsgren (2008) shows that MNCs can be seen as both a beauty and a beast. On one end of the spectrum, one can view firms as important agents of change and creative destruction, while on the opposite end, they have negative impacts on the environment, labour and human rights. Prahalad's (2005) BoP proposition offers a very optimistic view of the firm, wherein MNCs can break the poverty cycle prevailing at the BoP market and provide the knowledge base to challenge the way they manage the developed markets. Meanwhile, others view the BoP agenda as an inclusive capitalistic resolution to achieve the UN's Millennium Development Goal of halving poverty by 2015, a mere public relations measure among MNCs and a form or corporate imperialism. Such diversity in views shows that scholars, building on various theoretical foundations, often disagree and/or interpret the same phenomena in different ways and tones. Thus, it is important to study value creation at the BoP by first looking into the different theories underpinning the essence of the firm.

3.1 Theories of the Firm

There are different ways of classifying the extant theories of the firm in general, and MNCs in particular. In the international business literature, Toyne and Nigh (1997) recognised the business and society, economic, political, organization theory, organization behaviour, strategic management, marketing and financial perspectives on why firms generally venture to other countries. Similarly, Forsgren (2008) identified the economic (i.e. market power, cost efficiency, value creation and knowledge evolution) and behavioural (i.e. strategic fit, networks and relationships, legitimacy and power) perspectives. Using the latter's framework, this section looks into how value creation at the BoP can be viewed in different lenses. Oftentimes, these perspectives overlap one another and the real world can be characterized as a kaleidoscope of these perspectives.

1. The market power perspective

In the industrial organization theory, Hymer (1960) argued that firms choose to invest abroad because they have *special advantages* that are created and developed in the *home market*. They possess some type of firm-specific advantages that are large enough to outweigh the disadvantages a foreign investor has compared to host/country firms. Although firm-specific advantages would include some element of innovation, thus, making firms valuable for the society as a whole, Hymer noted the possible negative impacts of market imperfection on social welfare (i.e. increasing joint profit through different types of collusion across borders like mergers, acquisitions, alliances, cartels, etc.).

It is a common case for MNCs to enter the BoP market as a measure to expand their operations and maintain their market leadership. In making their presence felt, they often resort to sponsoring philanthropic activities or repackaging their products and services to be more affordable to the poor. Value creation, from the market power perspective of the firm, would pertain to *innovative activities seeking to reach new markets, re-positioning and maintaining leadership*. Taking into account the possible negative impacts of this perspective, value does not necessarily have to be created all the time, but can be captured as "rents" with the existence of monopolistic conditions (Pitelis, 2008). Vernon's (1966) product life cycle theory shows how leveraging innovation at different stages of the product cycle and locations enable a firm to maintain its market position.

2. The cost efficiency perspective

Transaction cost economics propagates the internalisation theory and cost-minimizing behaviour, wherein MNCs exist because the firm has internalised markets across borders. Coase (1937) argues that firms start new ventures and subsidiaries because it is cheaper for them to produce than to buy and engage in risky contracts. Moreover, Buckley and Casson (1991) point out that effective planning requires internalisation of markets since production of knowledge and its implementation in new processes or products are lengthy projects that require detailed long-term appraisal and short-term synchronisation. Related to this perspective is Dunning's (1988) eclectic framework, which adds the location-specific advantage to the firm-specific and internalisation advantages.

Nonetheless, this perspective identifies *transaction efficiency* as a major source of value, since enhanced efficiency reduces cost. Williamsson (1975) explains that markets fail (i.e. transaction costs become high), varying with the governance mechanism, because of uncertainty, small-numbers bargaining, bounded rationality and opportunistic behaviour. This suggests that value creation can derive from the *removal of these structural hindrances* in the market and that reputation, trust, and transactional experience can lower the cost of idiosyncratic exchanges between firms (Amit and Zott, 2001). This view, however, blames the inefficiencies on market structures and neglects other sources of value as well as the environmental and social implications of cost minimizing activities.

Similar to the industrial organization perspective, companies that are stuck into the cost efficiency perspective, operating at the BoP, are often criticized. Their myopic view on economic issues, over-confidence of what firms can do and short-sightedness of the consequences often becomes the target of more cynical scholars coming from other perspectives.

3. Organizational capabilities perspective

The organizational capabilities perspective also looks into *firm-specific advantages*, but linked to the managerial and organizational processes in the firm (i.e. routines, current practices and history), reflecting the uniqueness of each firm including its history, people and organization. This perspective has given birth to a number of theoretical branches and is in a way rooted in Penrose's (1959) resource-based view (RBV) of the firm, which builds on the Schumpeterian perspective of value creation through re-combining the bundle of resources and capabilities of the firm. Barney (1991) posits that a firm's capability can only constitute a firm-specific advantage if it is hard to imitate. The RBV postulates that the firm's unique bundle of resources and capabilities may lead to value creation, if they *reduce a firm's costs or increase its revenues* compared to what would have been the case if the firm did not possess those resources (Barney, 1997). Alternatively, Pitelis and Teece (2009) argue that the objective, nature and essence of the firm can be seen as the diagnosis, configuration and leveraging of knowledge assets and organizational capabilities to allow the principals of these organizations to effectuate the capturing of value (profit) from both creative and routine operations of the business enterprise. This implies that advantages of the organization over the market go beyond savings in transaction costs, as they combine co-specialized assets and capture value from intangible assets.

Thus, it is proposed that the firm-specific advantage is a mixture of value creation and exploitation, in varying degrees. It can reflect an intention to benefit from a firm-specific advantage by carrying out more of the same in new markets, but it can also reflect an intention to learn and develop new skills by investing in new context. In contrast to the cost efficiency perspective, a firm may choose to invest in an operation with high transaction costs if the value consequential to that operation is higher. For instance, a preference to collaborate with a local partner than a foreign investment with full control of the venture may reflect an aspiration to absorb new knowledge than exploiting existing knowledge.

While RBV literature has often been concerned with questions of value appropriation and sustainability of competitive advantage, this perspective extends into the *dynamic capabilities approach*, which explores how valuable resource positions are built and acquired over time (Amit and Zott, 2001). Dynamic capabilities are related to the firm's managerial and organizational processes, such as learning. Thus, evolutionary theories, such as Kogut and Zander's (1993, 1996) view of firms as repository of knowledge, are also related in this perspective. They argue that knowledge is primarily embedded in the competence of individuals and in the routines and work principles within the firm. Owing to these common identities, it is much easier to transfer information and know-how inside the MNC than between independent firms. Firms are considered as the most efficient instruments for knowledge development owing to their ability to combine knowledge from different places, to develop new knowledge, and create a common identity among organizational members. However, when there is a high degree of tacit knowledge involved, there can sometimes be a preference for collaboration with external partners rather than investing in wholly owned subsidiaries.

Most BoP literature on value creation take the resource and organizational capabilities perspective, acknowledging the need to absorb new knowledge because business models that involve pure market transactions simply will not work due to the absence of properly functioning markets. In spite of this, the theories mostly take an economic approach, wherein value creation entail technical and organization innovation that results to production costs and revenue enhancing advantages. In viewing firms to be the most efficient instruments for knowledge development, this perspective offers also an uncritical position and it is not apparent if all types of knowledge transfer are beneficial. For instance, a firm producing toxic products, can be considered to be efficient in itself but not from the perspective of society.

4. The contingency perspective

The contingency theory assumes that a change in the environment leads to a change in the firm's strategy. It deals with the environment as a decisive factor for the way in which MNCs should be conceptualized, and assumes that there is no single best way to organize the firm since the organization must relate to the specific nature of the environment. Chandler (1962) posits that as a firm changes its strategy for products and markets, consequently meeting other environments, it has to change the basic structure of its organization. In other words, there must be a strategic fit between the environment and the organization. Goshal and Nohria (1997) present the MNCs as differentiated networks, reflecting the inherent heterogenic internal structure of the organization fitting the different environmental and resource contingencies faced by the different national subsidiaries.

Contrastingly, Hannan and Freeman (1977) argue that organizations change through selection than adaptation. They argue that most firms have structural inertia that hinders adaptation when the environment changes. Those that become incompatible with the environment are eventually replaced through competition with new organizations better suited to external demands.

Nevertheless, the crucial concept in contingency theory is design, wherein for a firm to perform well, it has to have the right formal organization and control system. The role of the firm is depicted to be passive, having to always adapt to the prevailing situation and environment. Value creation is dependent on the *fit* between the external environment and the existing design of the firm. Social entrepreneurs at the BoP normally claim to create value in this way, as they match their skills, resources and knowledge to the specific needs that they identify in the environment. They simply have to do what needs to be done, which can be beneficial for society.

5. The business network perspective

The business network theory views the environment consisting of the business relationships between specific actors. The network of direct and indirect relationships provides the firm with most information which provides managers to evaluate business opportunities, which includes what has been learned in certain value-creating relationships in other relationships (Forsgren, et al., 2005). The focus is on the network of business relationships in which a business actor is embedded. It conceptualises the internationalisation process as a successive establishment of a position in a foreign business network – a gradual process in which the acquisition of the business partners' capabilities, developed through exchange with these partners, is crucial. Internationalisation is a path-dependent process in which every step is based on the firm's most significant existing business relationships.

In this perspective, the firm is a business actor, not a political one, thus, it is more affected by its own business environment than by its institutional environment. From a societal point of view, the network can function as an entry barrier for newcomers. A network can be dominated by one firm which can be beneficial for the business but not for society.

Value is created in the business network perspective through *relationships* with other actors. Social entrepreneurs and other business models at the BoP, often arise because of these special networks and collaborations with other stakeholders, like NGOs and the government. They gain knowledge and access to different resources as a result of their embeddedness in the local network. The new and important roles that other actors play are being acknowledged in business literature. For instance, Teegen, et al. (2004) and Vachani, et al. (2009) shows the importance and influence of NGOs in global governance, value creation and social development strategies.

6. The institutionalisation perspective

Institutionalisation theory highlights the firm as a political, rather than a business actor, recognizing the interplay between the firm and the environment and emphasizing the organic processes within the firm. Among the many variants of this perspective, "new institutionalism" maintains that the main goal of organizations is to survive by establishing legitimacy in the world of institutions. Meyer and Rowan (1977) claimed that organizations incorporate socially accepted elements in their formal structure and become isomorphic with their institutional environment to maintain legitimacy and increase their resources and survival capabilities. However, North (1990) succinctly argues that there is no guarantee that the beliefs and institutions that evolve through time will produce economic growth.

Nevertheless, DiMaggio and Powell (1983) argue that organizational structure results from the institutional constraints imposed by the state and the professions, and leads to institutional isomorphism or homogeneity of structure (i.e. resulting from coercion, mimetic processes, or normative pressures). As innovation spreads, a threshold is reached wherein adaption provides legitimacy rather than efficiency. Scott (2001) also reasons that individuals comply because of conception (i.e. they conceive no other alternative), not only due to obligation and conformity. Thus, organizations compete not only for resources, markets and economic dominance, but for political power, institutional legitimacy and social fitness.

Thus, value is created alongside *establishing the legitimacy* of the firm, and its contributions to institutional building. Micro-finance institutions, often regarded as a panacea to poverty, are frequently given instant legitimacy, without regard to its suitability to different contexts, and other consequences like the transformation of non-profit to profit organizations and the weakening role of NGOs to fight for its advocacies defending civil society.

A summary of how the different perspectives view the firm and society is given in Table 1. Peteraf, et al. (2008) claim that the theory of the firm cannot be viewed as a quest for the discovery of one static reality; it is not about uncovering the truth about why they exist, what they do, what they are about. The firm, as a concept and as an institution, is in constant evolution – a moving target which needs to be studied and understood as such. Thus, having knowledge of the different theoretical perspectives gives us a broader perspective and better view of reality from which to analyse value creation of business models at the BoP.

Table 1: Summary of the different theoretical perspectives of the firm

Theoretical Perspective	**Why Firms Exist**	**Value-creation Strategies**	**Social Implications**	**Studies**
Industrial organization	Exploit a monopolistic advantage in foreign markets	Re-positioning Innovation	Limited competition and market power can lead to severe welfare losses	Hymer, 1960; Vernon, 1966
Transaction Cost	Internalize markets across borders	Transaction efficiencies	Efficient instruments for the society to coordinate economic activities across borders	Coase, 1937; Williamsson, 1975; Dunning, 1988; Buckley and Casson, 1991
Organizational capability	Create, transfer, combine and use unique capabilities in foreign countries	Innovation R&D Investments Collaboration with new partners	Superior ability to create and transfer new knowledge to foreign countries which is beneficial for society as a whole	Penrose, 1959; Barney 1991, 1997; Pitelis & Teece; Kogut & Zander, 1992, 1996

Contingency	Adapt the organization to the complexity and change of foreign markets	Ad hoc adaptation to the environment (e.g. calamities)	Superior ability to identify and implement the most efficient organization, which is also beneficial for society	Chandler, 1962; Goshal & Nohria, 1997
Business network	Use subsidiary business networks in different countries as strategic resources	Collaboration with NGOs, govt. & other stakeholders Reputation building	Can mobilize large resources and influence markets in line with their own interests, but the control of resources is incomplete	Forsgren, et al., 2005
Institutionalization	Get support from and to influence the international, institutional environment	Institutional and infrastructural building Establishing legitimacy	Can influence policy and institutions in line with their own interests rather than in accordance with the interests of society as a whole	DiMaggio & Powell, 1983; Meyer & Rowan, 1977; North, 1990; Scott, 2001

3.2 Preliminary Framework

Combining Hart and Milstein's framework of sustainable value and the different theoretical perspectives on value creation results to the framework shown in Figure 1. Sustainable value is created by balancing and taking into account the different dimensions, most importantly, the upper right hand corner, which is often left-out in traditional business models. Giving worth to the future of the firm's external environment is necessary for creating sustainable value. It should be noted that this is a preliminary framework.

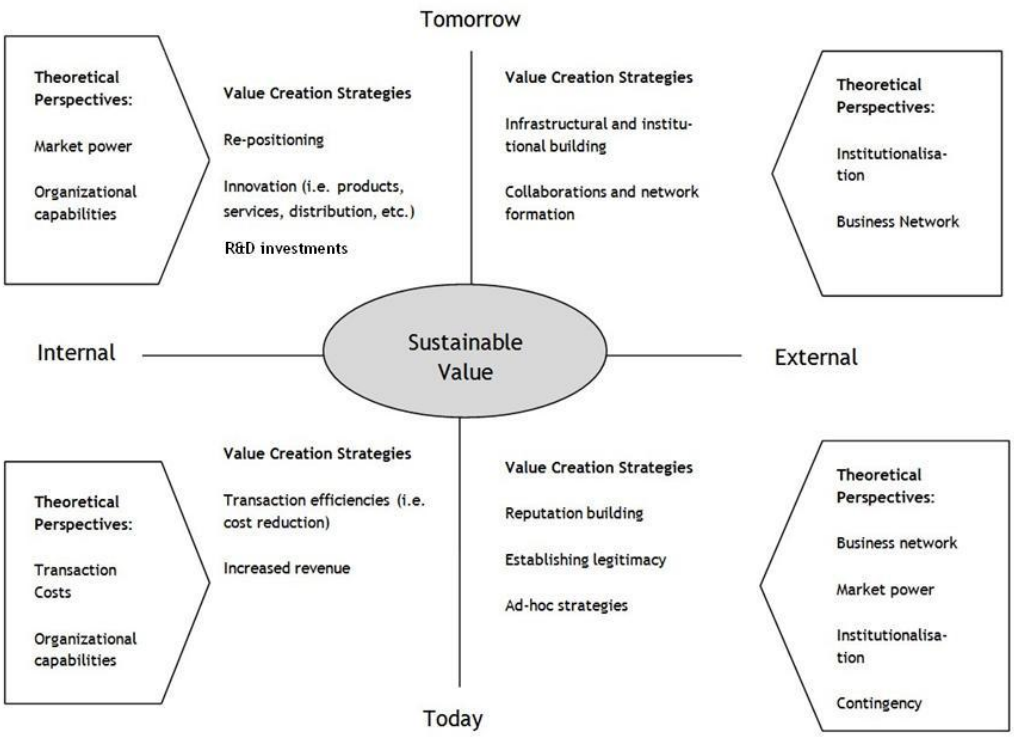

Figure 1: Value Creation Strategies from Different Theoretical Perspectives (Adapted from Hart and Milstein, 2003)

4 Methodology

Investigating how empirical data fits into the framework presented, by developing a typology of BoP business models based on their value creation strategies, gives an insight if sustainable value is indeed being created at the BoP. Generally, integrating the various theoretical views suits an epistemological and ontological stance that both explains (i.e. positivistic view of an objective reality) and understands (i.e. hermeneutic view of reality as a meaningful construct) knowledge. Therefore, this study makes use of a methodological approach combining both qualitative and quantitative methods. A grounded theory approach is initially made in reviewing the literature and cases-at-hand, identifying emerging patterns and categories, followed by a case survey analysis.

Thus, the analytical strategy used is retroduction, which combines both inductive and deductive methods. It is a logic of enquiry associated with the philosophical approach of critical realism, which entails the discovery of structures and mechanisms (Blaikie, 2000). As opposed to inductive, deductive and abductive strategies, the aim of reductionism is to discover underlying mechanisms to explain observed patterns and regularities. Saether (1998) further argues that retroduction is suitable for research linked to the “greening of the industry” since it makes possible a research process that is characterized by the linking of evidence (induction) and theory (deduction) in a continually evolving, dynamic process.

1. Method

The case survey methodology has been used by various researchers in management studies (e.g. Larsson, 1989, 1993; Lucas, 1974; Yin, 1981), using different names like case meta-analysis and structured content analysis of cases. Larsson (1993) describes the basic procedure of the case survey into four stages: selecting a group of existing case studies relevant to the chosen research questions; designing a coding scheme for systematic conversion of the qualitative case descriptions into quantified variables; using multiple raters to code the cases and measure their inter-rater reliability; and statistically analyze the coded data.

Larsson (1993) further argues that the case survey method transcends the limitations and bridges the gap between the qualitative and quantitative methods. Among the strengths of the case survey method is that it taps prior research efforts reported in a vast number of existing case studies; overcomes drawback of single case study which is the inability to examine cross-sectional patterns and to generalize to large populations; capitalizes on the richness of case studies from their ability to study more complex phenomena than questionnaire surveys; and provides valuable bridge over traditional research gaps such as those between quantitative and qualitative methods and positivistic and humanistic approaches. Lucas (1974) further describes the case survey method as an inexpensive and potentially powerful method for identifying and statistically testing patterns across studies. Thus, it is seen appropriate to use this method in empirically exploring value creation among business models at the BoP because it provides an economic way of studying patterns and categories from the available empirical cases in the literature. The researcher does not need to go to all these countries to make an initial exploratory study.

2. Sample Data

The sample used in this study is based on secondary data, particularly taken from UNDPs Growing Inclusive Market's database, consisting of the 50 cases used in the study "Creating Value for All: Strategies for doing business with the poor". The selected cases had to describe a business model that included the poor in ways that could be profitable and that clearly promoted human development. The cases were also to represent a broad range of countries, industries and business types, and were mostly written by authors from the country of origin of the case they studied, thus, maintaining a developing country perspective. The authors conducted their research based on a common protocol. They carried out primary research including fieldwork, and triangulation was achieved through interviews with a variety of stakeholders and use of quantitative data. The case studies went through an iterative review process with a team of research coordinators to ensure consistent structure and quality across all 50 studies.

There are inherent biases against how these cases were chosen and written to fit the UNDP norm and requirements, as well as not being critical enough to give a realistic view. Nevertheless, the sample still represents substantial data on what practitioners, particularly the UNDP, consider as cases representing value creation at the BoP.

3. Coding Scheme and Inter-rater Reliability

In the survey, each case will be coded independently by the author using a questionnaire that aims to identify the variables from which the cases can be grouped (e.g. type of firm, value creation strategies). To add rigor to the survey design, other researchers (called re-raters) will be asked to answer the same questionnaire, to identify discrepancies in the answers. Thus, each case should correspondingly have three completed questionnaires, wherein one is done by the researcher. The re-raters will ideally consist of 10 to 15 people, rating 7-10 cases according to their areas of expertise.

To measure the discrepancies among the rater and re-raters, or estimating the reliability ratio, the *average pairwise percentage agreements (APPA)* will be used since the data are categorical. The APPA is the number of pairwise identical codes or answers divided by the total number of pair comparisons. For questions having scaled alternatives, a modified APPA measure will be used to compensate for the different discrepancy scale magnitudes, wherein inter-rater reliability will be computed using similar agreements, i.e. those within one point (Miller and Friesen, 1977). The reliability measures will be computed for each question for each case to detect discrepancies and rater differences that can eventually guide the analysis of the results (e.g. some questions might consistently have low reliability across cases, reflecting incorrectly structured questions).

4. Statistical Analysis

The results will then be used as values for the statistical analysis. A possible tool that can be used is the cluster analysis using the hierarchal and agglomerative variant. Simple graphing analysis and plotting of the results to the framework will also be done.

5 Presentation of Results and Analysis

This paper is still in a work-in-progress, awaiting the final results of the study. However, results are expected to identify the different groups implementing various types of value creation strategies combination. Some would cover a mixture of strategies covered in the four quadrants in the framework, exhibiting a more balanced creation of sustainable value while others might lean more on focusing on the strategies in one or two of the quadrants. The groups will be plotted in the framework.

6 Concluding Discussion

This paper shows that taking a multi-perspective of the firm can give a better understanding of the varied interpretations of value creation among BoP business models. One does not have to be solely limited to economic perspectives of the firm such as market dominance, transaction costs, and revenue enhancement. One should consider the realities of behavioural and political theories, such as value can result from networking, contributing to institutionalization, and fitting into the environment. Taking a multi-perspective allows us to better describe and define the BoP phenomenon, since the reality at the BoP is a mixture of these different perspectives. It also bridges us with other scholars, not locking us into our respective North and South corners. The rich theoretical foundations in management provide a wealth of explanations to the empirical cases, having no need to re-invent but instead integrate them. We all need to broaden our perspective as the boundaries of management research ventures into the realm of sustainable development, and as the worlds of business and development merge.

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