

Kobro, Marie
Hattrem, Katrine

Master Thesis
at BI Norwegian Business School

**- Business Model Innovation:
The South African BoP Canvas -**

Exam code and name:

GRA 19003 – Master Thesis

Hand-in Date:

02.09.2013

Place of Study:

BI Oslo

Table of Contents

TABLE OF CONTENTS.....	I
TABLE OF FIGURES.....	V
LIST OF TABLES	VI
TABLE OF ABBREVIATIONS.....	VII
ACKNOWLEDGEMENTS.....	VIII
ABSTRACT.....	IX
1 INTRODUCTION.....	1
1.1 PROBLEM STATEMENT	1
1.2 RESEARCH AREA.....	2
1.3 RESEARCH STRUCTURE.....	3
2 LITERATURE ANALYSIS	5
2.1 CRITICAL APPROACH TO THE BOTTOM OF PYRAMID	5
2.1.1 <i>Are MNCs Best Fitted To Capitalize On BoP Market Opportunities?</i>	6
2.1.2 <i>Is There A Potential For MNCs At The BoP?</i>	8
2.1.3 <i>Defining The BoP</i>	9
2.2 TRADITIONAL BUSINESS MODELS	15
2.2.1 <i>The Business Model Canvas</i>	17
2.2.2 <i>Business Model Canvas Critique</i>	20
2.3 BOP LITERATURE FOR EACH ELEMENT OF THE BMC	23
2.3.1 <i>Key Partners</i>	24
2.3.2 <i>Key Activities</i>	28
2.3.3 <i>Key Resources</i>	29
2.3.4 <i>Value Proposition</i>	30
2.3.5 <i>Customer Relationships</i>	32
2.3.6 <i>Channels</i>	33
2.3.7 <i>Customer Segment</i>	36
2.3.8 <i>Cost Structure</i>	37
2.3.9 <i>Revenue Stream</i>	38
2.3.10 <i>Sustainability</i>	39
2.3.11 <i>Market Environment</i>	40
2.3.12 <i>Summary</i>	42
3 RESEARCH METHODOLOGY	46
3.1 RESEARCH APPROACH: QUALITATIVE VS. QUANTITATIVE RESEARCH	46
3.2 RESEARCH DESIGN.....	47

3.2.1 Interview Composition.....	48
3.2.2 Interview Approach	49
3.2.3 Interview Quality.....	50
3.2.4 Interview Partners	51
4 EMPIRICAL ANALYSIS	55
4.1 KEY PARTNERS	55
4.1.1 Unconfirmed BoP Literature	55
4.1.2 Confirmed BoP Literature	56
4.1.3 South African Specific Empirical Findings	57
4.2 KEY ACTIVITIES	58
4.2.1 Unconfirmed BoP Literature	58
4.2.2 Confirmed BoP Literature	58
4.2.3 South African Specific Empirical Findings	59
4.3 KEY RESOURCES	59
4.3.1 Unconfirmed BoP Literature	59
4.3.2 Confirmed BoP Literature	59
4.3.3 South African Specific Empirical Findings	60
4.4 VALUE PROPOSITION.....	61
4.4.1 Unconfirmed BoP Literature	61
4.4.2 Confirmed BoP Literature	61
4.4.3 South African Specific Empirical Research Findings.....	63
4.5 CUSTOMER RELATIONSHIPS	63
4.5.1 Unconfirmed BoP Literature	63
4.5.2. Confirmed BoP Literature	63
4.5.3 South African Specific Empirical Research Findings.....	64
4.6 CHANNELS	65
4.6.1 Unconfirmed BoP Literature	65
4.6.2 Confirmed BoP Literature	65
4.6.3 South African Specific Empirical Research Findings.....	66
4.7 CUSTOMER SEGMENT.....	66
4.7.1 Unconfirmed BoP Literature	66
4.7.2 Confirmed BoP Literature	66
4.7.3 South African Specific Empirical Research Findings.....	67
4.8 COST STRUCTURE	67
4.8.1 Unconfirmed BoP Literature	67
4.8.2 Confirmed BoP Literature	67
4.8.3 South African Specific Empirical Research Findings.....	68
4.9 REVENUE STREAM	68
4.9.1 Unconfirmed BoP Literature	68
4.9.2 Confirmed BoP Literature	68
4.9.3 South African Specific Empirical Research Findings.....	68

4.10 SUSTAINABILITY	69
4.10.1 Unconfirmed BoP Literature	69
4.10.2 Confirmed BoP Literature	69
4.10.3 South African Specific Empirical Research Findings.....	69
4.11 MARKET ENVIRONMENT	70
4.11.1 Unconfirmed BoP Literature	70
4.11.2 Confirmed BoP Literature	71
4.11.3 South African Specific Empirical Research Findings.....	71
4.12 SUMMARY	72
5 THE SOUTH AFRICAN BOP BUSINESS MODEL CANVAS.....	79
5.1 ELIMINATED AND MERGED BUILDING BLOCKS	79
5.1.1 Key Partners And Stakeholder Relationship	80
5.1.2 Key Activities.....	81
5.1.3 Channels.....	81
5.1.4 Customer Segment.....	81
5.1.5 Cost Structure And Revenue Stream.....	82
5.2 CONSISTENT BUILDING BLOCKS	82
5.2.1 Key Resources	82
5.2.2 Value Proposition.....	83
5.3 NEW BUILDING BLOCKS	83
5.3.1 Sustainability.....	83
5.3.2 Market Environment.....	84
5.3.3 Time.....	84
5.3.4 The Business Process	85
5.3.5 Summary.....	85
5.4 THE SOUTH AFRICAN BOP BUSINESS MODEL CANVAS.....	90
6 CONCLUSION	95
6.1 LIMITATIONS AND FURTHER RESEARCH.....	97
7 APPENDIX.....	98
7.1 NUMBER OF PUBLISHED BOP ARTICLES	98
7.2 PESTEL ANALYSIS SOUTH AFRICA.....	98
7.3 BUSINESS MODEL COMPONENTS MATRIX.....	106
7.4 BOP NETWORK CHARACTERISTICS AND IMPLICATIONS FOR MNCs.....	107
7.5 FOUR PHASES IN THE PARTNERING PROCESS.....	109
7.6 BUSINESS RE-CREATION	111
7.7 PRAHALAD'S 12 PRINCIPLES OF INNOVATION.....	111
7.8 CORPORATE-NGO COLLABORATION FOR DEVELOPING COUNTRY BUSINESS MODELS.....	112
7.9 FORMAL AND INFORMAL CHANNELS USED BY FIRMS AT THE BOP	112
7.10 INTERNATIONAL MARKETING COMMUNICATIONS ACTIVITIES TARGETED AT THE BOP ...	113
7.11 BUILDING BLOCKS - TOP LITERATURE REVIEW.....	113

7.11.1 Key Partners.....	113
7.11.2 Key Activities.....	115
7.11.3 Key Resources	117
7.11.4 Value Proposition.....	118
7.11.5 Customer Relationships.....	120
7.11.6 Channels.....	121
7.11.7 Customer Segment.....	121
7.11.8 Cost Structure.....	124
7.11.9 Revenue Stream	125
7.11.10 Sustainability.....	125
7.11.11 Market Environment.....	126
7.12 INTERVIEW GUIDELINE: MNCs OPERATING AT THE SOUTH AFRICAN BOP.....	127
7.13 INTERVIEW TRANSCRIPTS	131
7.13.1 Company A	131
7.13.2 Company B	136
7.13.3 Company C.....	139
7.13.4 Company D.....	143
7.13.5 Company E.....	147
7.13.6 Company F	151
7.13.7 Company G.....	154
7.13.8 Company H.....	157
REFERENCES.....	162

Table Of Figures

Figure 1: Research Question.....	2
Figure 2: Master Thesis Approach	4
Figure 3: The World Economic Pyramid.....	5
Figure 4: Typology Of BoP Approaches	11
Figure 5: The Three Components Of A Conventional Business Model.....	16
Figure 6: The Business Model Canvas	17
Figure 7: Alignment Of BS, BM and BP.....	21
Figure 8: The Four Components Of A Social Business Model	22
Figure 9: Sustainability Building Block	23
Figure 10: Next Generation BoP Strategy	24
Figure 11: Responsiveness To The Different BoP Conditions.....	25
Figure 12: The South African BoP Business Model Canvas.....	91
Figure 13: Number of Published BoP Articles	98
Figure 14: Partnership Process	110
Figure 15: Corporate-NGO Collaboration For Developing Country Business Models	112
Figure 16: International Marketing Communications Activities Targeted At The BoP	113
Figure 17: A Spectrum Of Opportunities	123

List Of Tables

Table 1: Summary Of BoP Literature Findings.....	45
Table 2: Summary Of Empirical Analysis.....	78
Table 3: Basis Of The Development Of The South African BoP Business Model Canvas.....	89
Table 4: The South African Business Model Canvas Instructions	94
Table 5: Business Model Components Matrix	106
Table 6: BoP Network Characteristics And Implications For MNEs.....	108
Table 7: Twelve Principles of Innovation	111
Table 8: Formal And Informal Channels Used By Firms At The BoP	112
Table 9: Criteria For Distinguishing Between Value Creation	119

Table Of Abbreviations

B-BBEE - The Broad-Based Black Economic Empowerment

BMC - Business Model Canvas

BoP- Bottom Of The Pyramid

MNC - Multinational Company

MNCs - Multinational Companies

NGO- Nongovernmental Organization

ToP - Top Of The Pyramid

Acknowledgements

We would like to thank our supervisor Heidi Wiig-Aslesen for her support, effort and help in guiding us through the Master Thesis process. Her knowledge about innovational processes has been imperative for this study. We would also like to extend our gratitude to our interview partners for their willingness to partake in our study and provide valuable input about business operations in the South African Bottom of Pyramid. Last but not least, we wish to thank each other for this challenging but rewarding collaboration.

Marie Kobre

I would like to thank my mother without whom I still would be searching in the dark and my boyfriend for the sunlight in my life.

Katrine Hattrem

I would like to thank my mother and sister for their continued patience, support and encouragement.

Marie Kobre

Katrine Hattrem

Abstract

This Master Thesis is a contribution to the ongoing discussion in the academic world surrounding the Bottom of the Pyramid as an un-captured growth opportunity for business operations. Although the concept has increasingly gained attention over the last decades, to date few Bottom of the Pyramid initiatives by multinational companies (MNCs) have been successful. This work should be read by international business managers seeking to operate profitably while diminishing poverty in low-income markets.

Literature review shows that the Bottom of Pyramid presents attractive business potentials for MNCs, yet highlights that traditional business approaches are inappropriate methods for capturing this market and thus need to be innovated by breaking free from established mind-sets that have constrained incumbent firms to date.

Academic literature fails to provide appropriate tools and frameworks for capturing the potential at the Bottom of the Pyramid. The question of how multinationals should conduct business in the Bottom of the Pyramid lays the foundation of this Master Thesis. Utilizing Osterwalder and Pigneur's (2010) Business Model Canvas as a starting point, relevant Bottom of Pyramid literature is reviewed. Secondly, empirical data, conducted in a qualitative manner in the form of eight in-depth case studies, is used to test these findings specifically in terms of the South African market. By comparing the original business model elements in a ToP context with BoP literature and empirical findings, the necessary alterations needed to tailor Osterwalder and Pigneur's (2010) Business Model Canvas to suit the South African BoP market are discovered.

The final result of this Master Thesis is the new, innovative business model framework, which illustrates and guides companies in the adoption of traditional Top of the Pyramid (ToP) business models to low-income segments based on B2B or B2G cooperation. The South African Bottom of the Pyramid Business Model Canvas should be used as a tool for entering and operating in the market successfully.

1 Introduction

More than four out of ten, roughly 2.5 billion, people living in the world today, have two or less American dollars per day to live on. Although the amount of people living in extreme poverty has decreased over time to 1.22 billion people, estimations show that about one billion people will still live in extreme poverty in 2015. (World Bank 2012) These alarming numbers do not only raise ethical, but also economical questions. Contrary to common misconception, experts in the field believe that it is possible to capture untapped growth opportunities while simultaneously relieving billions of people from poverty and inequalities.

(Agnihotri 2013)

The Bottom of the Pyramid (BoP), until recently a little cared for market segment, especially from the West's point of view, has great potential not only due to its enormous dimension, but also due to the lack of products and solutions related to energy, transportation, water, materials and financial services. This is reinforced by the fact that private sector companies who still focus on wealthy consumers will soon be mired in saturated markets with few significant growth opportunities.

(Hart 2010)

The BoP can present a win-win situation both for companies and consumers. However firms who aspire to reap the full benefits of the BoP market, need to learn how to appeal to the billions of people who live and breathe a vastly different reality. The increased consensus that business model innovation is key to firm performance highlights the need for a more in-depth understanding of the role business models play in garnering success in the BoP (Zott, Amit and Massa 2011).

1.1 Problem Statement

Venturing into the uncharted BoP territory presents a myriad of unique challenges. Corporations have to understand the dynamics of these markets and the process of innovation therein. (Prahalad 2012) Although most research to date has been done on the issues of technology, intellectual property rights and rule of law in low-income segments, the fundamental challenge may in fact be that of business model innovation. Major differences between BoP and Top of the Pyramid markets exist, which indicates that firms operating in BoP markets

require different business models to successfully capture the potential. Until now, however the analysis of business models has been done without a conceptual framework and has frequently been confused with business strategy. (Hart 2010; Yip 2004; Shafer, Smith and Linder 2005)

The International Monetary Fund's (2013) World Economic Outlook claims that sub-Saharan Africa will grow an astonishing 5.8% in 2013, followed by 5.7% in 2014. South Africa, the region's largest economy, has increased its GDP with 45.7% since 2000 and continues to grow strongly, highlighting the immense business opportunities on this continent (Kolk and Lenfant 2012; Kolk and Van Tulder 2010). Moreover, BoP case studies and initiatives derive from India and other emerging economies, reinforce the need for an extension of the empirical base in Africa. Despite recent economic growth, South Africa has failed to generate the significant amount of economic diversification, jobs and social develop which is required to lift millions of citizens out of poverty. As a result, a key challenge for the South African government is to pursue economic policies that will increase and sustain growth while making it more inclusive and equitable for all citizens (UNECA 2013). The following Master Thesis aims at supporting this goal and contributes to filling this dominant research gap.

1.2 Research Area

The persistent lack of a business model framework for operations in the BoP market, especially on the African continent, highlights the need for research in the area of BoP business model innovation. The main goal of this work is to design a business model framework that suits the circumstances of the BoP market and sets companies operating there up for success. As such, the research conducted concentrates on Norwegian multinational companies (MNCs) operating in the South African BoP. The research question in this Master Thesis is:



How can Norwegian MNCs adopt their business model in order to meet the challenges and opportunities in the South African BoP?

Figure 1: Research Question

1.3 Research Structure

Two main steps are utilized to answer the problem statement and the resulting research question; a thorough literature review and an empirical research study.

Firstly, the concept of the BoP is reviewed critically in terms of its viability and possible research gaps. This includes an analysis of the BoP, a review of who is best fitted to tap the BoP market potential and South Africa as the basis for empirical research.

Secondly, traditional business model theory by Osterwalder and Pigneur's (2010) Business Model Canvas (BMC) is used as an initial point to structure, find and develop relevant BoP literature. Through this step significant BoP literature for each BMC building block is identified.

The results of this literature analysis are tested in a third step where in-depth case studies involving Norwegian MNCs operating at the South African BoP market are conducted. This aim is to uncover how Norwegian MNCs operate in the South African BoP market.

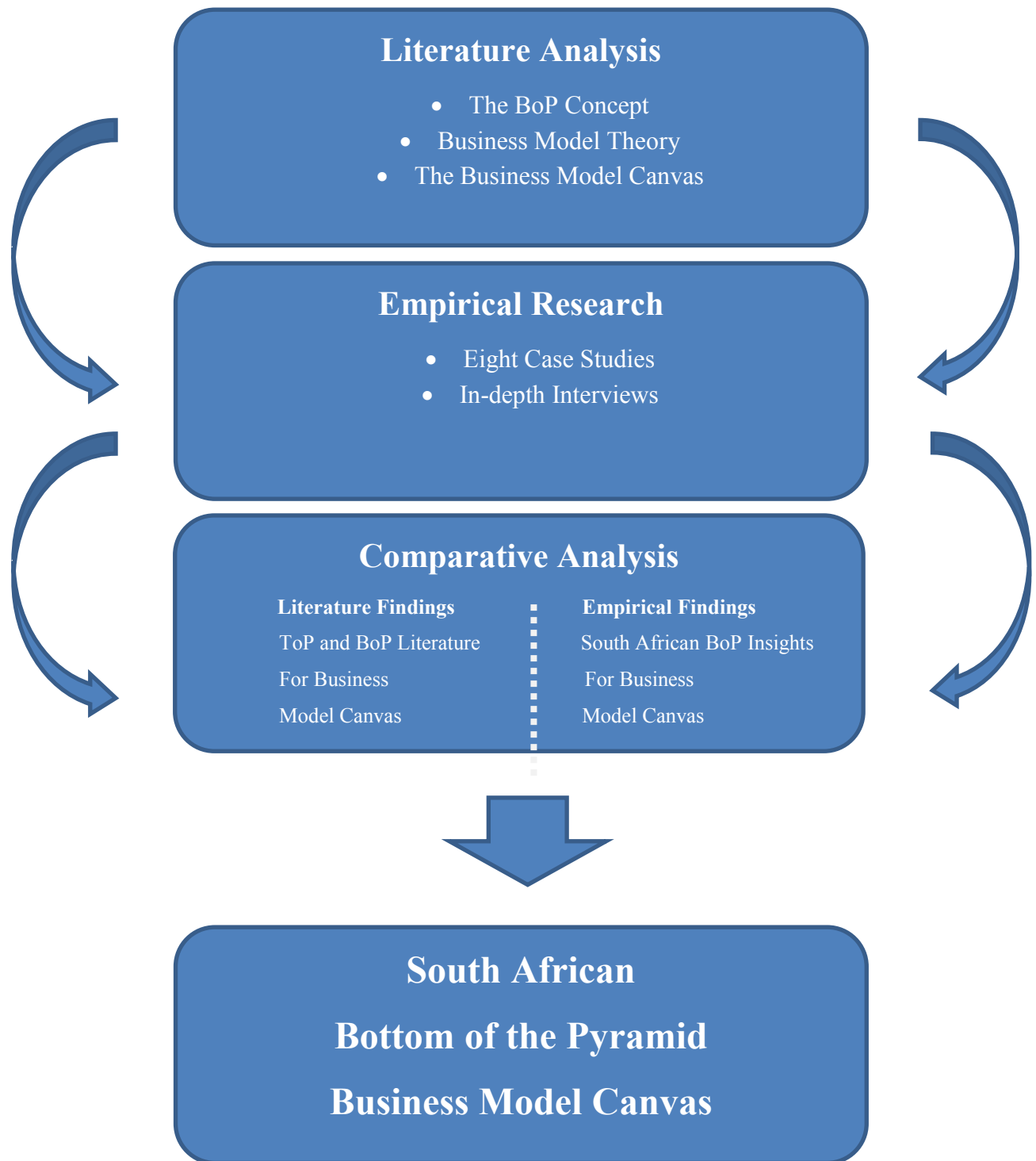


Figure 2: Master Thesis Approach

2 Literature Analysis

To date, the majority of MNCs who have engaged and sought fortune in the Bottom of the Pyramid have failed miserably (Hart 2010). In alignment, the BoP literature has received critique from different angles over the years. In order to conduct a valuable literature review that will serve as a basis for the empirical research, it is essential to understand this critique. Further, to provide relevant guidelines for companies operating in the South African market, an in-depth analysis of the BoP concept is needed.

2.1 Critical Approach To The Bottom Of Pyramid

Prahalad and Hart (1999) can be characterized as pioneers of the BoP theory as they collaborated on the first working paper on the concept. They assert on basis of the economic pyramid that investments of MNCs in the BoP will lead to rewards including growth, profits and positive contributions to humankind. The economic pyramid they refer to categorizes the world population according to purchasing power parity. Purchasing power parity is a term which shows the ratio of the prices in national currencies of the same good or service in different countries (OECD 2013). The economic pyramid is subdivided into four tiers as illustrated in the table below:

Annual Per Capita Income*	Tiers	Population in Millions
More Than \$20,000	1	75-100
\$1,500-\$20,000	2 & 3	1,500-1,750
Less Than \$1,500	4	4,000

Figure 3: The World Economic Pyramid
(Prahalad and Hart 2002)

Prahalad and Hart (1999) base the BoP concept on three assumptions. Firstly, MNCs are best fitted for capturing the potential of the BoP. This leads to the second one, namely that there is a potential at the BoP. Thirdly, they define the BoP as the fourth tier at the BoP with a population of four billion and an annual per capita income of less than US\$1,500 based on purchasing power parity. Since the origin of Prahalad and Hart's (1999) initial research, the interest in the concept has increased significantly and plenty of debates, articles and case studies have resulted (Appendix 7.1). The BoP concept since its introduction has gained both

acceptance, yet critique due to the uncharted area of research. For instance, the assumption that MNCs should capitalize on the BoP has been questioned by several researchers, including proponents of BoP theory such as London, Hart and Barney (2011). Whether or not there is in fact a potential at all has also been questioned by critics (Karnani 2007). In addition, several different and competing definitions of the BoP exist and as such there is a lack of consensus in the field.

The purpose of the next section is to clarify the key questions emerging from the different understandings of the theory and to explore the still uncovered research areas of the BoP.

2.1.1 Are MNCs Best Fitted To Capitalize On BoP Market Opportunities?

Prahalad and Hart's (1999) original idea that MNCs should capture the profitable BoP market, has been questioned by proponents and opponents of the theory alike. The debate about who should operate at the BoP rages on in scholarly circles (London, Hart and Barney 2011; Rivera-Santos and Rufin 2010; Karnani 2007). Until now, MNCs have not played the main role as an operating party in the BoP and further only a small amount of BoP initiatives have been MNC driven. For instance, microfinance, the concept of offering loans to the poor through innovative reductions in transaction costs, has to a large degree been offered by non-profit organizations such as the Grameen Bank (Kolk, Rivera-Santos and Rufin 2012).

Kolk, Rivera-Santos and Rufin (2012) investigated BoP literature for a whole decade and concluded that from 2000 to 2009 the BoP concept evolved dramatically de-emphasizing the role of MNCs. The investigated BoP literature shows a more complex picture of BoP operations. Concluding, the reality of business today does not reflect Prahalad and Hart's (1999) original formulation of the concept. As Prahalad and Mashelkar's (2010) theory puts forth the claim that MNCs should play the major role for operating at the BoP market, it seems worthwhile to investigate this argument. Prahalad and Mashelkar (2010) and Hart (2010) claim that the advantages that multinational companies possess are bountiful and can be characterized into four categories.

In-depth research and extensive efforts at the BoP are needed to further develop market knowledge and to understand its unique characteristics. Since few local

entrepreneurs possess the resources and ability to overcome the challenges surrounding for instance developing infrastructure, this aspect of the BoP presents a great advantage for MNCs. Secondly, MNCs have the power and ability to unite the actors required to reach the BoP successfully. MNCs, thanks to their ability to provide commercial infrastructure, knowledge access and multiple resources are perfectly positioned to partner with agencies such as non-governmental organizations (NGOs), governments and entrepreneurs to develop BoP markets successfully and sustainably. Furthermore, MNCs possess the ability to transfer knowledge. Due to their size, MNCs can capitalize on their position to transfer best practices and knowledge from one BoP market to another. This puts MNCs at an advantage in comparison to for example local entrepreneurs. The last advantage MNCs possess is upmarket migration. In addition to having the ability to move know-how and learning across BoP segments, MNCs can move innovations up-market through the pyramid levels. As the BoP is a fertile breeding ground for sustainable innovations, these positive developments can be transferred and adapted around the world. (Hart 2010)

With a plethora of benefits, why then do MNCs not constitute the major players in the BoP market? Successful BoP initiatives until now have approached the market in an entrepreneurial kind of way like the Grameen Bank micro financing project. Thus entrepreneurs are often thought to be best fitted to operate at the BoP market since they possess a different mindset, are flexible by nature and are able to foster innovation (Mohr, Sengupta and Slater 2012). As entrepreneurs go beyond the standard linear model of assessing need and technology, they create both innovations in technological designs and delivery platforms (Ramani, Ghazi and Duysters 2012).

Researchers like Mohr, Sengupta and Slater (2012) evaluate the ability of government programs or non-profits to address BoP challenges in a timely and effective manner as unrealistic. Arguments stated refer to the alternative players, non-profit organizations, governments and NGOs that often only provide an immediate source of relief. Additionally, just as the people living at the BoP have limited resources, as do governments. Chikweche and Fletcher (2012) reflect on international business manager's inertia which can be an explanation for managers' lack of knowledge about BoP markets. Further on, they state that this

bias and information gap is particularly evident at the BoP in Africa, where there is little information about key consumer behavior issues and how firms can effectively develop and implement operations to capture the market potential.

Karnani (2007) argues that BoP markets are generally too small monetarily to be profitable for most multinationals. He claims that local individuals and entrepreneurs should be involved in the process and concludes that one should regard human beings in the fourth tier as producers rather than buyers. Hart (2010) answers to this critique stating that it is right to involve local people, but he highlights the inefficiency of incremental changes, which should instead be substituted by radical business experiments. Further analysis must take place in order to understand the validity of the critique and who is best fitted for operating at the BoP.

2.1.2 Is There A Potential For MNCs At The BoP?

Analyzing the economic pyramid (figure 3) it becomes clear that there is indeed a great market potential at the BoP. Although the BoP represents the poorest socio-economic group, the majority of the world population lives within it. This argument is reinforced by the growth of low- and middle-income countries to seven billions people by 2030, compared with the one billion in high-income countries (World Bank 2013). At the ToP where a small percentage of the population is situated, the purchasing power is over 13 times higher at an individual level than it is at the bottom. However, BoP proponents argue that previously unrecognized opportunities for profit are available to companies that target this underserved population (Arnold and Williams 2012). For instance Prahalad and Mashelkar (2010) suggest that by multiplying the population as a group, the potential market revenue at the bottom is over three times higher than at the top.

Not surprisingly, Prahalads and Hart's (1999) original assessment of the BoP market was soon followed up by efforts to quantify the size of this market (Hammond et al. 2007). Current literature points out that the BoP presents a profitable market (Hammond et al. 2007; Anderson and Bilou 2007). However, these assumptions have been both criticized and devalued. Several authors critique Prahalad and Hart's (1999) theory arguing that the market potential for MNCs is questionable (Crabtree 2007, Karnani 2007). Though the combined income of the

members in the BoP show high monetary potential, it is uncertain as to how much a person in the BoP is willing to spend considering that they live on less than US\$2.50 per day (Global Issues 2013). However looking at the current state of business, several successful business operations conducted by local firms reinforce the original assumption that there is potential in the BoP (Prahalad 2012). To exemplify this one can look at the Indian wireless business, in which three local firms have a market capitalization of about 40 billion dollars (Prahalad 2012). Further, despite that the money available per capita is low, there are clear indications that this tier presents value. Subrahmanyam and Gomez-Arias (2008) and Hammond et al. (2007) state that given its enormous size, the fourth tier presents a five trillion-dollar market.

In addition, the BoP is often controlled by local monopolies causing market failures that affect the poor negatively (Prahalad 2012). Consumers at the BoP may pay ten to fifty times more for water, medicine or credit than their geographically proximate wealthier counterparts (Prahalad and Hammond 2002). This fact brings to light a plethora of business opportunities which may garner profits while simultaneously improving the situation of the BoP segment.

Capitalizing on this potential is revealed as more complex than originally portrayed by Prahalad and Hart (1999). Furthermore, in respect to how MNCs should tap this potential, the theory is more vague than explicit and has several holes and weaknesses.

2.1.3 Defining The BoP

The definition of the BoP is fundamental for the theory and the resulting consequences for this segment. The original idea of the concept defines the BoP as a population of four billion people with an annual per capita income of less than US\$1,500 (Prahalad and Hart 2002). However today, several opposing definitions exist. Just to frame some, Davidson (2009) refers to the BoP as the billions of people in the world who must survive on two dollar a day or less. This definition is more specified by other researchers referring to the BoP as three billion people living on one to three dollar a day, and another 1.3 billion who live on less than \$1.25 a day (Ruvinsky 2011). Ahmad, Gorman and Werhane (2004) illustrate examples for researchers who set the BoP segment equal with whole countries and regions in their investigations and Rivera-Santos and Rufin (2010)

portray examples of authors referring to low-income markets in general. Yet, other authors (Subrahmanyam and Gomez-Arias 2008; Hammond et al. 2007) state that given its enormous size, the fourth tier presents a five trillion-dollar market.

Evidently the definition of the BoP segment in the current literature is imprecise. Opponents of the theory, as for instance Crabtree (2007), comment on this fact by criticizing the original BoP theory as being 'extremely vague'. This divergence of definitions results in studies focusing on different target populations and settings, which can be seen in the initiatives undertaken until this point of time. While some BoP initiatives target rural populations in general (Zala and Patel 2009), others are focused on whole nations (Reficco and Márquez 2012) and further others simply consider the BoP as 'the poor' (Heeks 2008). Karnani (2007) even claims that most BoP undertakings discussed in literature are not targeting the respective market at all. It becomes clear that a more precise definition that includes a distinction between the urban and the rural BoP is needed (Ireland 2008).

As a result, addressing problems in BoP markets requires careful classification of objectives combined with a consideration of the conditions which build an assimilated approach.

2.1.3.1 Classification Of BoP Approaches

Recent literature by Mohr, Sengupta and Slater (2012) addresses this classification challenge. The authors offer a framework divided along the dimensions 'consumer resources', 'infrastructure availability' and the degree of 'self-sustainability' as the below figure illustrates:

		Self-sustaining by BOP		Non self-sustaining by BOP	
		Infrastructure Availability		Infrastructure Availability	
		Low	Moderate	Low	Moderate
Consumer Resources (Financial, Literacy, etc.)	Moderate	8. Social entrepreneurship	7. Capacity-Building CSR (BOP 2.0); Hybrid profit/nonprofit partnerships	6. Specific cause-related marketing campaigns	5. Traditional CSR (BOP 1.0): sell repackaged/repriced product; corporate philanthropy
	Low	4. Government services for a fee, e.g. electricity, telephone	3. Non-profits with products/services for a price, e.g. OLPC, Envirofit	2. Government aid for welfare or institutional aid for infrastructure, e.g. World Bank	1. Assistance from non-profits as needed, e.g. Red Cross, Doctors without Borders

Figure 4: Typology Of BoP Approaches
(Mohr, Sengupta and Slater 2012)

As there exist strong differences in these categories, this classification seems very appropriate and logically. A look at the financial resources in BoP markets illustrates the diverse availability of financial resources being extremely low in some markets while moderate in others. Ethiopia, one of the world's poorest countries of our world, for instance, has a per capita income of US\$370 while Kenya's per capita income is of US\$1,760 (World Bank 2013). How much income, consumers of a given market have, plays an enormous role for a company that wishes to serve the market in regard to their strategic decision of price point.

The same applies for the infrastructure availability, in which the authors include functioning government institutions, roads and transportation, water, electricity, and healthcare. Building on the former example, Kenya's total expenditure on health per capita is of US\$77 compared to Ethiopia's US\$52 (World Bank 2013). In Mohr, Sengupta and Slater's (2012) classification approach, the definition of moderate infrastructure availability includes areas where governments contribute assistance with for instance the distribution of food and medicine and the availability of schools, roads and other forms of infrastructure. Low infrastructure in comparison persists if governments are corrupt and unreliable and roads and transportation are not a standard.

Infrastructure is seen as a major challenge for operating in BoP markets and a considerable amount of the business model literature is developed based on the

aim of solving this challenge. Yet, these solutions mislead companies operating in BoP markets with moderate infrastructure. Therefore, it is important to provide a more differentiated picture of BoP markets, as it will assist firms in adapting their business model.

The last dimension of Mohr, Sengupta and Slater's (2012) customized BoP approach framework considers whether the project undertaken is self-sustaining over time or if it will need ongoing assistance. The latter option includes one-time responses to short-term crises. Additionally, the authors relate the conditions at BoP markets to the different players that are fit to operate under such conditions. As such, the framework is divided into eight cells, in which eight alternative approaches are suggested.

Cell one and two consist of BoP consumers whose resources are low and whose infrastructure is either low or moderate. People living in these segments do not have the capabilities to self-sustain projects by themselves. BoP approaches undertaken depend on public assistance, whether through government-based aid programs or through non-profits and nongovernmental organizations.

Low consumer resources and either low or moderate infrastructure conditions similarly characterize cell three and four. However in contrast to cell one and two, initiatives undertaken focus on generating self-sustainability over time. These quadrants can be interpreted as transitional stages, where non-profits charge prices (cell three) and governments charge fees for their services (cell four).

Cell five and six demonstrate BoP business opportunities for MNCs and other corporations as consumers of the fifth cell have a moderate degree of resources. Since operating units sell re-priced or re-packed solutions to consumers, these undertakings belong to the non-sustainable category. Additionally, reasons for operating in this quadrant are based on traditional corporate social responsibility reasons (philanthropy) as for instance donations of money, goods or services to assist people in need. Cell six, where consumers have moderate resources but the infrastructure is low, is served by companies that act due to specific cause-related marketing campaigns.

In cell seven and eight consumers have moderate resources, but the operations undertaken aim for self-sustainability. In cell seven firms undertake initiatives

which engage local people living in the BoP and build capacity. These operations are classified as ‘hybrid’ operations and address partnerships where the company collaborates with local for-profit, non-profit or entrepreneurs in form of co-creation. Due to the hybrid nature where sales do not cover all expenses, the company must also raise funds. Though, the authors state that some actors may push the hybrid non-profit venture to become a for-profit business. In the last cell, number eight, companies find moderate consumer resources mixed with low infrastructure availability. This endowment requires a radical rethinking of business models driven by the entrepreneurs’ passion. Ventures in cell eight are usually set up as for-profit businesses from the outset where investors interested in coupling economic and social returns support the social entrepreneurs. Yet, the authors claim that the cell also constitutes incentives for MNCs, set up as social enterprises.

Since each cell requires a different business model, it is important that the developed framework of this Master Thesis includes a classification of business approaches.

Although the model significantly helps to select a more focused research approach, the theory has its weaknesses. For instance, the categories of the framework, particularly in regard to defining low and moderate resources and infrastructure and self-sustainability, should be specified in a more concrete manner.

2.1.3.2 South Africa As A Basis For The Empirical Research

The research conducted through this Master Thesis is based on South Africa. A significant market review has been carried out in form of a PESTEL analysis to consider the **Political, Economic, Social, Technical, Environmental and Legal** aspects of South Africa (PESTEL-Analysis 2013). The complete analysis can be found in the Appendix under 7.2.

The PESTEL review supports the choice of this specific market, clarifying the attractiveness of South Africa for the intended purpose of the research in several ways. Firstly, the South African market is characterized by enormous contrasts. By this, none of the criteria of Mohr, Sengupta and Slater’s (2012) classification framework are excluded but reflect many of the conditions stated which in turn

does not constrain the research findings. Secondly, these contrasts pose very attractive business opportunities for MNCs.

Consumer Resources

On the one hand, South Africa is considered by scholars and researchers alike a middle-income, emerging market with well-developed financial, legal, communication, energy, and transport sectors (NORAD 2010).

However, on the other side, the country must address a number of pressing social, political and economic issues if it's to reach its full potential. The nation is plagued by gross unemployment issues whereof 23% of the formal labor force is out of work and additionally more are underemployed or not considered work-seekers (WHO Africa 2009; Ismail and Kleyn 2012). As one of the most unequal societies in the world, a mere 53% of the South African population accounts for less than 10% of total consumption and the poorest 20% account for only 2.8% (NORAD 2010).

Infrastructure Availability

The same phenomena of contrasts is reflected in the infrastructure availability. Variables chosen have been aligned to the definition of infrastructure stated by Mohr, Sengupta and Slater (2012). Unlike other BoP markets the port system, rail network and roads in South Africa are fairly well developed. For example, the South African railway network is similar to those of Poland, Italy and the Ukraine in terms of distance and similar to Mexico in terms of overall geography and density. The main issue for the South African road network is that under-investment and over-utilization has resulted in deteriorated roads, which results in massive backlogs in maintenance and rehabilitation (Development Bank of South Africa 2012). Electricity is similarly available almost everywhere in South Africa, though exceptions exist in the rural areas with low populations (South Africa Tourism 2013). The South African Bill of Rights stipulates that everyone has the right to basic education, yet the education system in South Africa is on average poor and extremely uneven. The minority of South Africans receive the high-quality basic education required to make them eligible and qualified for university and employment opportunities. Despite this, the adult literacy rate in South Africa is 82.5%. (South African Government 2013; OECD 2013). The South African Department of Health is committed to increase life expectancy, decrease maternal

and child mortality, combat HIV and AIDS, decrease the burden of disease from TB and strengthen the country's health system effectiveness (National Department of Health 2013). Since 1994 and the arrival of democracy, the government has made significant efforts to address the large issue of diseases and incidences of injuries and trauma from traffic accidents and violence (WHO Africa 2009).

Sustainability

Sustainability, both in environmental and social aspects, has been proven to be key success factor for operating in BoP markets. As such South Africa is an excellent example of a country which focuses on sustainability as the element is legislated by post-apartheid governmental measures such as the Broad-Based Black Economic Empowerment Act, King Codes and the Johannesburg Stock Exchange's Socially Responsible Investment Index (The Department of Trade and Industry 2013; Johannesburg Stock Exchange 2013; The International Center for Not-for-Profit Law 2013). A considerable amount of legislation in South Africa aims to right the wrongs of apartheid political, social and economic injustice in a sustainable manner. Companies who score high in accordance with the legislation are better position to work, form partnerships and win projects in the South African market. The King Codes require companies to focus on integrity by not acting independently from society in relation to financial, social, ethical and environmental practice, to act as a good corporate citizen and to observe the triple bottom line for people, planet and profit (The International Center for Not-for-Profit Law 2013; Johannesburg Stock Exchange 2013). In 2004 the Johannesburg Stock Exchange developed the Socially Responsible Investment Index (SRII) to counter the escalating debate about sustainability, both globally and in the South African market (Johannesburg Stock Exchange 2013). A pioneer of its kind, the SRI Index can be credited as a source of increased attention on responsible investment in emerging markets like South Africa. (Johannesburg Stock Exchange 2013).

2.2 Traditional Business Models

As there are no business model frameworks for BoP operations available at present time, the initial point of the literature review takes place in ToP literature. This part of the theoretical framework reflects on traditional business models and serves as groundwork to further research the elements that are needed for the development of a new business model tailored to the South African BoP.

Defining a business model is a complex and daunting task as scholars challenge each other on what a business model is (Zott, Amit and Massa 2011). The term business model has gained widespread use in the practice community, yet academic literature on the topic is fragmented and confounded by inconsistent definitions (George and Bock 2011). There exists endless options for defining business models and scholars commonly consider it the logic of the firm which explains how it operates and creates value for its stakeholders (Casadesus-Masanell and Ricart 2010). In-depth analysis and research of business model elements in literature uncovers that despite a multitude of definitions, three elements are usually incorporated (Yunus, Moingeon, Lehmann-Ortega 2010). These three components tend to include a product or service proposed to customers, the organization of the company to deliver the product and the firm's revenue model. In other words, all firms share the three aspects illustrated in the following figure:

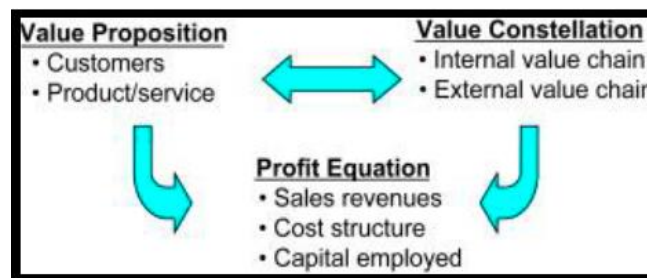


Figure 5: The Three Components Of A Conventional Business Model
(Yunus, Moingeon, Lehmann-Ortega 2010)

With over 500,000 copies sold worldwide, the latest work by Osterwalder and Pigneur (2010) is a global best-selling phenomenon. The book, developed by Osterwalder and his Ph. D. adviser Pigneur (2010) is co-created with 470 practitioners from 45 different countries and offers a framework which structures business models in a more comprehensible way. This simple yet sophisticated framework clarifies and visualizes all the important elements of a business model and provides an excellent overview. Due to its timeliness, degree of respect, popularity and adaptability, the business model framework is well fitted as a basis for the research undertakings of this Master Thesis and will therefore serve as the foundation of this work.

2.2.1 The Business Model Canvas

Osterwalder and Pigneur (2010) define the term business model quite broadly by stating that it describes how an organization creates, delivers, and captures value. The strategic template, the Business Model Canvas (BMC), which is conceptualized for traditional business approaches at the ToP is an overview for describing, visualizing, assessing and changing new or existing business models. It is divided into nine building blocks, presented in the figure below:

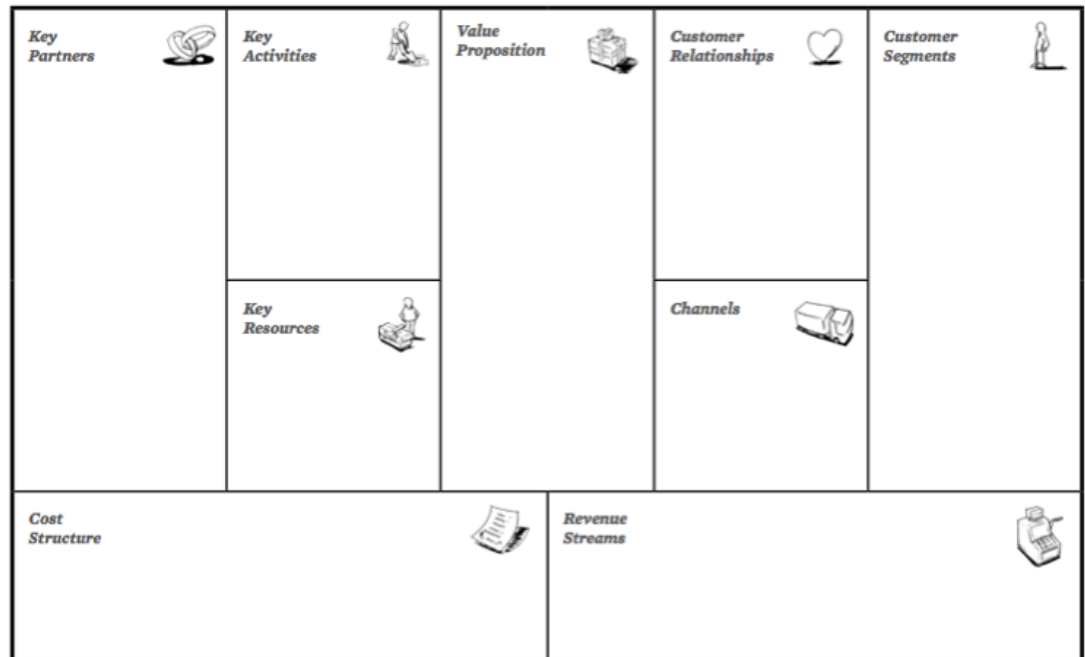


Figure 6: The Business Model Canvas
(Osterwalder and Pigneur 2010)

2.2.1.1 Key Partners

Osterwalder (2004, 89) defines a partnership as a “voluntarily initiated cooperative agreement formed between two or more independent companies in order to carry out a project or specific activity jointly by coordinating the necessary capabilities, resources and activities.” Osterwalder and Pigneur (2010) describe the key partnerships building block as the network of suppliers and partners that make the business model function. Companies form partnerships for many reasons, which eventually become a cornerstone of their business model. Partnerships can be built on the basis of various reasons as for instance to optimize their business models, reduce risk or acquire resources. (Osterwalder and Pigneur 2010)

2.2.1.2 Key Activities

Osterwalder (2004) defines an activity as an action a company performs to do business and achieve its goals. Key activities are both dependent value proposition and key resources. Osterwalder and Pigneur (2010) describe the key activities building block as the most important undertakings a company requires to perform and operate successfully. Further they state, that every business model needs to internalize a number of key activities. Like key resources, activities are required to create and offer value, reach markets, maintain customer relationships and earn revenue.

2.2.1.3 Key Resources

Key resources are inputs into the value-creation process and the source of the activities a firm needs for its value proposition (Osterwalder 2004). Osterwalder and Pigneur (2010) describe key resources as the most important assets required to make a business model work. Every business model requires resources, but depending on the type of business model, different ones are required. Key resources can have many forms including physical, financial, intellectual or human and can be owned or leased by the company or acquired from partners.

2.2.1.4 Value Proposition

Osterwalder (2004, 50) defines value proposition as a representation of “value for one or several target customer(s) and is based on one or several capability(ies).”

All businesses strive to create value for their customers as it is the reason customers choose one company’s product or service over another while satisfying the needs or solving the problems of a customer (Osterwalder and Pigneur 2010). Each value proposition contains a selected bundle of products and/or services that are targeted to the requirements of a specific customer segment. (Osterwalder and Pigneur 2010)

2.2.1.5 Customer Relationships

The customer relationships building block developed by Osterwalder and Pigneur (2010) describe the types of relationships a company establishes with targeted customer segments. A company should be aware of what kind of relationship it wants to forge with each customer segment. These relationships can range from personal to automate and may be driven by the motivation of customer acquisition/retention or for boosting sales. The customer relationships of a

company's business model greatly influence the overall customer experience. (Osterwalder and Pigneur 2010)

2.2.1.6 Channels

Osterwalder and Pigneur's (2010) building block channels describes how a company communicates with and reaches its customer segments to deliver a value proposition. Communication, distribution, and sales channels contain a firm's interface with the customers and play an important role in the customer experience. Channels serve different functions, including raising customer awareness of a company's products and services, helping customers evaluate a firm's value proposition, allowing customers to purchase specific products and services, delivering a value proposition to customers and providing post-purchase customer support. (Osterwalder and Pigneur 2010)

2.2.1.7 Customer Segments

According to Osterwalder (2004), the customer segment is defined as the different groups of people or organizations an enterprise aims to reach and serve. Essentially a customer segment defines the type of customer a company wishes to target. Companies can choose to focus their efforts on individuals or firms, commonly called business-to-business (B2B) or business-to-consumer (B2C) (Osterwalder and Pigneur 2010). Osterwalder (2004, 60) emphasizes that "effective segmentation enables a company to allocate investment resources to target customers that will be most attracted by its value proposition." In order to better satisfy consumers, a business model may define one or several segments arranged by common needs, behaviors or additional attributes. (Osterwalder and Pigneur 2010)

2.2.1.8 Cost Structure

According to Osterwalder and Pigneur (2010) the cost structure encompasses all costs incurred operating in a business model. Most company activities such as value creation and delivery, customer relationships maintenance and revenue generation incur costs. After defining key resources, activities and partnerships, business costs can be calculated relatively easily. (Osterwalder and Pigneur 2010)

2.2.1.9 Revenue Stream

Osterwalder (2004) defines the revenue streams building block as the cash a company generates from its customer segment. The revenue stream a company gains and captures from value creating activities are vital for long term survival. A firm can have one or various revenue streams of which each may have one or several pricing mechanisms. Firms can generate income through selling, lending or licensing a product or service, taking a cut of a transaction or relying on different sources of advertising. (Osterwalder 2004; Osterwalder and Pigneur 2010)

2.2.2 Business Model Canvas Critique

Jonkers, Quartel and Blom (2012) lend the popularity of Osterwalder and Pigneur's (2010) BMC to its user-friendly and hands-on nature which creates understanding, discussion, creativity and analysis during brainstorming sessions. The concept can be applied to multiple levels of business in various industries and allows one to visually and physically organize and map out thoughts within each building block of the framework (Jonkers, Quartel and Blom 2012). Despite being a fairly recently developed concept, some criticism of Osterwalder and Pigneur's (2010) framework was uncovered, which will subsequently be brought to light and discussed.

The table in Appendix 7.3 exemplifies how different business model literature places emphasis and focus on multiple and varying components in comparison to Osterwalder and Pigneur (Im and Cho 2013). The table underlines that many elements exist and the nine that Osterwalder and Pigneur (2010) have chosen are not necessarily the ones which suit all ventures the best.

2.2.2.1 Expansion Of The Business Model Canvas For The Bop Context

2.2.2.1.1 Business Processes

Critics (Jonkers, Quartel and Blom 2012; Solaimani and Bouwman 2012) undermine Osterwalder and Pigneur's (2010) BMC for being shown in isolation, without the necessary steps towards implementation which are crucial. Solaimani and Bouwman (2012) focus their work on the big picture and place emphasis on the importance of aligning the firm's business model and business processes, an aspect which Osterwalder and Pigneur (2010) overlook. Jonkers, Quartel and Blom (2012) similarly highlight that organizations often experience a gap between

their strategic decisions and the implementation of these decisions in their daily operations. A framework that identifies the generic horizontal and vertical interorganizational and intraorganizational interaction components to align the “strategic-level” business model (BM) with the “operational-level” business processes (BPs) was developed by Solaimani and Bouwman (2012). Projects which lack this alignment between the strategic “what to do” and the operational “how to do it” undermine business model viability and feasibility.

In contrast to Osterwalder and Pigneur (2010), Solaimani and Bouwman (2012) focus on the implementation of business models which has to date received little attention. In Osterwalder and Pigneur’s (2010) BMC, business strategy and business processes are outside the scope of work. Solaimani and Bouwman (2012) argue that they should be regarded as an integral part of business development as presented in the following figure:

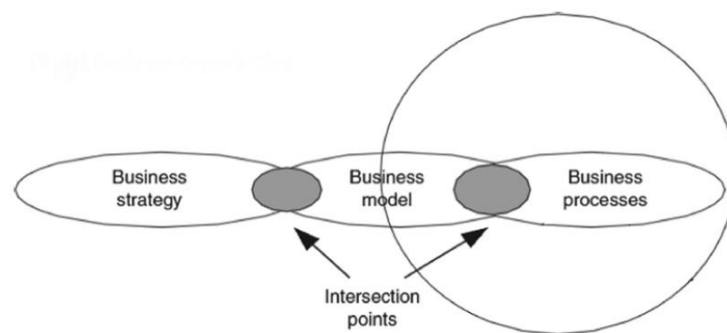


Figure 7: Alignment Of BS, BM and BP
(Solaimani and Bouwman 2012)

Several authors (Im and Cho 2013; Chesbrough 2010) criticize business model literature for being conceptual, theoretical and impractical as opposed to focusing on developing an innovative business models. Increasingly scholars agree that novel business model development, a process which finds an innovative way to manage business in order to meet customer needs and firm objectives, is the key to business success (Zott, Amit and Massa 2011, Im and Cho 2013). Chesbrough (2010) mirrors this sentiment by claiming that products and services generate more value with novel business frameworks than traditional ones. Further he highlights that though business innovation is vital, it is challenging to achieve as the barriers to altering the business model are real and tools such as maps and canvases are helpful, but not sufficient (Chesbrough 2010).

The critique briefly discussed above highlights the importance of re-developing a business model framework which incorporates not only a straight forward and easy to understand model but one which also encompasses an implementation strategy. As such, a newly developed BMC should in addition to the necessary elements required include and align itself with business strategy and business processes. (Jonkers, Quartel and Blom 2012; Solaimani and Bouwman 2012; Im and Cho 2013; Chesbrough 2010; Zott, Amit and Massa 2011). This key finding will be utilized in the creation of a new BMC specifically developed for the South African BoP context.

2.2.2.1.2 Sustainability

When adapting a business model to the Bottom of the Pyramid, it must be adjusted to incorporate a social focus which means adding two components to the existing value proposition, value constellation and profit equation. Yunus, Moingeon and Lehmann-Ortega (2010) state that in addition to the three traditional considerations, a social model must in an early state recruit social-profit-oriented shareholders and specify social profit objectives. The figure below visualizes the four components of a social business model:

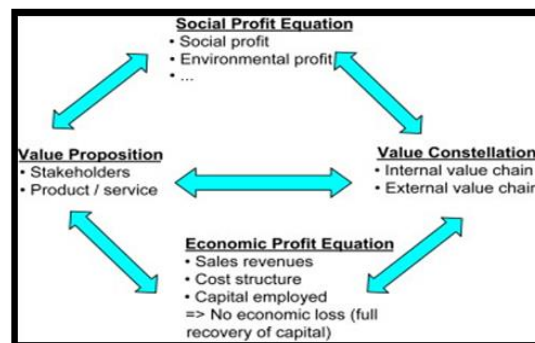


Figure 8: The Four Components Of A Social Business Model

(Yunus, Moingeon, Lehmann-Ortega 2010)

Osterwalder and Pigneur (2010) do not address sustainability specifically in their famed Canvas, yet Osterwalder's (2013) website hosts a blog post with a lecture about social entrepreneurship business models which incorporates sustainability as respecting social and environmental costs and benefits. Osterwalder (2013) expands his BMC with these building blocks as illustrated in the figure below:

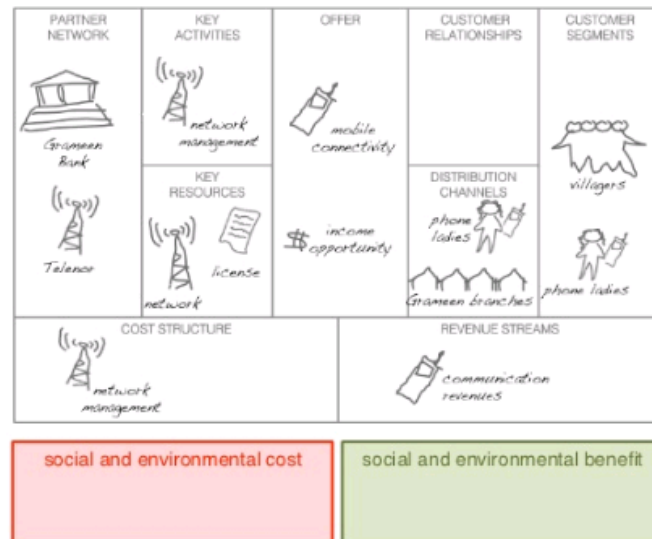


Figure 9: Sustainability Building Block

(Osterwalder 2013)

This reinforces Yunus, Moingeon and Lehmann-Ortega (2010) finding of the need to add a social component to traditional ToP business models to tailor the framework for BoP operations. As such, this element will be further investigated through the empirical research.

2.2.2.1.3 Market Environment

The critical review of the BoP theory in part 2.2, has brought the vast differences which exist in market environments to the forefront. Literature review highlights that the challenges and opportunities which exist in the market place are greatly dependent on local context. As a result, the market environment element should be incorporated into business model frameworks such as to tailor business approaches to align with local context. Therefore, this element will be further investigated through the empirical research.

2.3 Bop Literature For Each Element Of The BMC

In order to develop a new business model framework that incorporates the conditions of BoP segments, the next section analyzes each of Osterwalder and Pigneur's (2010) nine building blocks along with the elements of sustainability and market environment in light of BoP literature. The aim is to find and structure relevant literature to gain a picture of if and how each element is applicable to the BoP context. The aim is to gain insight about which traditional business model elements are misleading and which elements need to be adopted or changed in order to operate successfully in BoP segments.

2.3.1 Key Partners

Investigations of the BoP Innovation Center (2012) show that establishing partnerships in BoP markets remains one of the key challenges for MNCs. The literature research findings clarified that the key partner building block is the most important business model element in regard to BoP operations.

Analyzing the development of the BoP literature in terms of partnerships, a shift from the so-called BoP 1.0 towards BoP 2.0 strategies is noticed, as illustrated in the figure below. Whereas initial BoP strategies concentrated on selling to the poor, the second generation of BoP strategies focuses on consumers as business partners:

BoP 1.0	BoP 2.0
<ul style="list-style-type: none"> • BoP as consumer • Deep listening • Reduce price points • Redesign packaging, extend distribution • Arm's length relationships mediated by NGOs 	<ul style="list-style-type: none"> • BoP as business partner • Deep dialogue • Expand imagination • Marry capabilities, build shared commitment • Direct, personal relationships facilitated by NGOs
"Selling to the Poor"	"Business Co-Venturing"

Figure 10: Next Generation BoP Strategy
(Simanis and Hart 2008)

The BoP 2.0 strategy is producer rather than consumer oriented and answers therewith to Karnani's (2007) critique that the BoP market is non-profitable due to low consumer income. Rather, the BoP segment is perceived as a business partner who requires innovation in the form of an interactive business model. The fact that MNCs in the past have failed to serve the BoP market, can be rooted in the utilization of BoP 1.0 approaches which fail to involve the BoP segment adequately.

The reason for the mind shift from 1.0 to 2.0 is based on the conclusion that the gaps in BoP markets should be substituted with relationships and networks (Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012). In alignment, Sanchez and Ricart (2010) claim that the constraints of isolated business models lie in the low willingness to pay of potential consumers. Companies that try to respond to the different conditions of BoP markets often lack the necessary tangible and intangible resources (Schuster and Holtbrügge 2013). Interactive business models focus on the cost aspect by combining the

firm's resources with assets and capabilities from other, mutually committed, local actors in the ecosystem. As such, this business model framework allows ventures to create business opportunities in low-income segments (Sanchez and Ricart 2010).

Reficco and Márquez (2012) reinforce these findings by concluding that horizontal arrangements in which all partners share the responsibility of the outcome, without any actor taking the role of authority or control, are needed to operate in the BoP market successfully. Therefore they evolve the term interactive business models to 'inclusive business models'. Their results show that inclusive networks require long-time working relationships and demand education, empowerment and skill transfer. They also answer to the consensus in the BoP literature that relationships must be built through establishing mutual trust and interest (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008). Reficco and Márquez (2012) see the key success factor in regard to trust as highly personalized relationships and effective participation by all actors in the network through embeddedness.

In alignment, Schuster and Holtbrügge (2013) researched the benefits of partnerships in detail and discovered what kinds of partnerships are best suited to help overcome the challenges at BoP markets. The conditions are divided into the categories customer needs, market conditions and institutional environment as illustrated in the figure below:

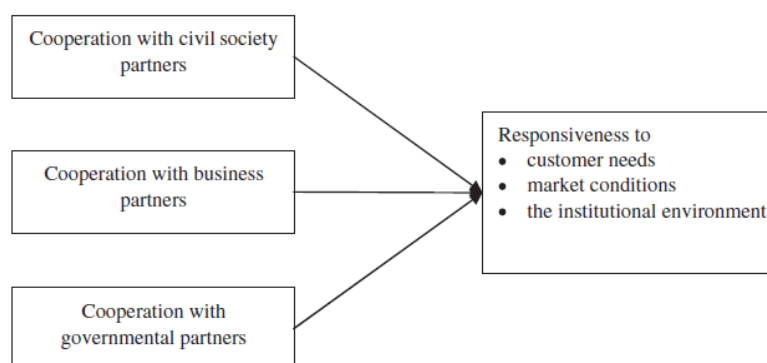


Figure 11: Responsiveness To The Different BoP Conditions
(Schuster and Holtbrügge 2013)

All in all, their investigation of over 100 companies operating in BoP markets show that only civil society partners (non-governmental partners) help firms meet customer needs in BoP markets. With regard to the market conditions, the results

show that both civil society and business partners can support firms in the BoP context. Only governmental organizations are able to support firms to respond to the institutional environment in BOP markets.

The highly emphasized resource-based-view in ToP literature (Dussauge, Garrette and Prahalad 1999; Feller et al. 2013) that explains why companies enter partnerships is also applicable for BoP approaches. However, it is questionable if the ToP focus on within-sector partnerships (B2B) will provide relevant insights for the BoP context. The BoP literature instead emphasizes the expansion of B2B approaches towards partnerships across sectors and cooperation between private companies and non-governmental organizations (Schuster and Holtbrügge 2013). This is explained by the fact that different partners bring assorted resources such as capital, managerial expertise or technology to the commitment whereby each profit, non-profit and public sector counterbalances institutional gaps (Anderson and Markides 2007, Rivera-Santos and Rufin 2010; Wheeler et al. 2005).

Indeed, literature reveals that the commonality between low-income markets are cross-sector partnerships with social enterprises, local communities, NGOs cooperation agencies and social risk capital agencies (Sanchez and Ricart 2010). The comparison of ToP and BoP markets, reveals that partnerships play an even more essential role for firms who operate at the BoP. In a network of partners, governments can support MNCs with financial aid (Seelos and Mair 2007; Simanis and Hart 2008). NGOs can play a supporting role in raising development funds from philanthropic sources, but also in adapting traditional business models to the developing world (Chesbrough et al. 2006).

The composition of these partnerships lead to the co-existence of different partnerships and markets, where firms will on the one side utilize external institutions for equity and formal contracts and on the other side use alternative governance mechanisms, such as informal contracts, in-kind contributions and gifts, which rely on normative and cognitive institutions. (Rivera-Santos, Rufin and Kolk 2012)

The need for inclusive networks has become clear. Yet, business networks are vastly different at the BoP in several important aspects compared to the ToP (Rivera-Santos and Rufin 2010). Differences between the two types of networks

must be considered in the business model innovation process and provide therewith implications for MNCs. See Appendix 7.4 for information about different networks at ToP and BoP markets.

Aligned with the BoP 2.0 strategy process, Simanis and Hart (2008) claim that the BoP partnering process passes through different phases. Simanis and Hart (2008) identify one pre and three main phases a company needs to undergo with a community in order to fulfill a sustainable business, which are outlined in the Appendix 7.5. An important insight gleaned from the theory is that different phases overlap and demand an enterprise re-creation along the process (Appendix 7.6). Concluding, the partnering process is not linear, but rather a process that demands recreation of the business model through feedback loops. A look at innovation literature reinforces this finding. The continued referral to the chain-linked model of Kline and Rosenberg (1986) affirms the claim that innovation is not a linear process and that feedback loops act as drivers of innovation and as such, this applies to business model innovation too. Furthermore Simanis and Hart (2008) give guidelines for what kind of characteristics potential partners should have. Consistent with other BoP literature findings, the theory fails to provide guidelines on how partners are identified.

2.3.1.1 Key Partners Summary

It is evident that key partners are even more important for successful operations at the BoP than at the ToP as they provide a solution for overcoming the challenges posed by the market. Literature review has shown that MNCs are not suited to capture the potential of the BoP market by themselves. Instead interactive business models based on the development of partnerships in order to save costs by combining resources, assets and capabilities are highly appropriate methods for entering the BoP. In essence, interactive business models require the development of an entirely new ecosystem, specifically innovation within the construction of the ecosystem (Sanchez and Ricart 2010). Furthermore, this interactivity consists of cross-sector partners where each sector counterbalances the gaps. Recent research states that civil society partners can help to meet customer needs in BoP markets, both civil society and business partners support firms to respond to the differing market conditions and governmental organizations are able to support firms to respond to the institutional environment in BoP markets (Schuster and

Holtbrügge 2013). The concept of interactive business models due to the shared responsibility has been developed into the term ‘inclusive business models’ which require long-time working relationships and demand education, empowerment and skill transfer (Reficco and Márquez 2012). Further on the partnering process is built on trust and mutual commitment, achieved through highly personalized relationships and effective participation by all actors in the network. Due to the utilization of both formal and informal mechanisms in BoP markets, firms have to pay more attention to corrupt systems (Rivera-Santos, Rufin and Kolk 2012). Last but not least, the literature showed that the partnering process is not a linear process but one that involves elements of changes and feedback loops. A future BoP business model framework should respect this insight by illustrating the element of change fostered by feedback and allowing for business model innovation over time.

2.3.2 Key Activities

Key activities are defined as operational and managerial processes through which a firm delivers value in a way it can repeat and increase in scale, which may include such tasks as training, developing, manufacturing, budgeting, planning, selling and servicing (Johnson, Christensen and Kagermann 2008). Which activities are important for companies differ strongly and depend on the product and service offered by a firm and the given industry.

The BoP literature focuses on how key activities must be arranged in order to answer the unique and challenging conditions that arise due to the differences between ToP and BoP markets. The BoP literature concentrates on guidance for the opportunities and challenges of these markets and states what must be respected in regard to activities. Often addressed for instance, is the importance of strengthening value chain activities with key partnerships (Jagtap et al. 2013). As well the value created through key activities should aim to lift the poor out of poverty and open the way to sustainable growth for the global economy, which is discussed in more detail under the building block ‘sustainability’. As there are no key activities models findable in BoP markets, the BoP literature is dominated by a significant lack of research in this area. Osterwalder and Pigneur (2010) state that firms need to decide by themselves which of the building blocks are important for their core business constituting the key activities. All in all, the key

activity building block falls short as the sum of all building blocks incorporate what is important for the key activities in BoP markets.

2.3.2.1 Key Activities Summary

There exists a dominant research gap in BoP literature in terms of frameworks for strategic analyses of companies' core operations. Through the above discussion several important characteristics that need to be respected are revealed. Firstly, as indicated in ToP literature, applicability of a wide range of key activities for diverse products and services in differing industries is essential. Secondly, these models should aim to serve as classification tools for key activities. Osterwalder and Pigneur (2010) state that key activities tend to differ depending on the business model type, which can be seen as a hint in regard to how to classify the strong differing key activities of such a framework. Finally, the models need to take into account the special conditions of BoP markets as to guide companies in becoming as efficient as possible in their operations. Overall, the sum of the BoP literature from all building blocks found summarize what firms have to bare in mind when operating at the BoP. These findings will serve as a basis for developing the future BoP framework that will contribute to filling the research gap that exists today.

2.3.3 Key Resources

BoP literature claims that, given the sheer number of people at the BoP, only by engineering sustainable solutions are the BoP needs met (Prahalad 2012). Due to the enormous size of BoP markets, resources must be reduced heavily (Hart 2010). For instance, the fourth principle of Prahalad's (2002) 12 principles of innovation (Appendix 7.7) requests sustainable and eco-friendly solutions at the BoP. Therefore, the overall aim is a sustainable use of renewable resources that can regenerate naturally and substitute non-renewable resources (Chopra and Narayana 2012). Hart and Christensen (2002) see technologies such as solar photovoltaic, wind turbines, fuel cells and micro-turbines, as key resources for operating at the BoP as they compass expensive distribution infrastructure by taking advantage of renewable resources generating electricity near the actual point of use. Clearly, there exists a strong link to the building block sustainability.

London, Anupindi and Sheth (2010) touch upon the constraints firms experience in regard to resources in BoP markets and provide a more detailed analysis by

dividing them into raw material, financial and production resources. Raw material resource constraints are due to the lack of access to high-quality raw material production. Financial resource constraints are in relation to formal credit providers and informal institutions such as loan sharks, traders and money lenders. Constraints in production resources apply to a lack of access to technology and expertise, of access to specific equipment or technical knowledge and storage.

BoP literature also addresses the importance of key resources in terms of the human resource management and the need to involve locals in the business process. This point is investigated in more detail under the building block key partners.

2.3.3.1 Key Resources Summary

Due to the size of BoP markets, sustainable and ecofriendly solutions are needed to serve the segment properly. Product development should therefore focus on limiting, reducing and recycling resources. BoP key resources should be chosen on the basis of the resources availability in the given market. Firms should take advantage of renewable resources and generate products near the actual point of use. Further, human resources particularly local BoP employees should be seen and utilized as a key resource.

2.3.4 Value Proposition

Value proposition belongs to the unique set of challenges which require a shift in the mindset and approach of companies who wish to capitalize on BoP market opportunities (Esposito, Kapoor and Goyal 2012). In the BoP, value is created when a firm's proposition matches the consumer's perception of the need for such a value (Ramani, Ghazi and Duysters 2012). Firms cannot simply reconsider their value proposition and decide how to deliver it in a new package, but instead are required to develop the ability to capture revenue and deliver products or services in conjunction with other players (Nidumolu, Prahalad and Rangaswami 2009). In the BoP context, value proposition involves engaging the market segment in multiple ways including as consumers, employees, distributors and suppliers while building local capacity and embeddedness (Viswanathan et al. 2007; Karnani, 2007; Esposito, Kapoor and Goyal 2012)

To create value in BoP markets, firms must innovate their proposition with the element of sustainability (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012). The importance of focusing on shared value, not just economic but also social, when entering the BoP is emphasized throughout literature (Esposito, Kapoor and Goyal 2012). This involves firms developing the necessary skills and ecosystems needed to engage the BoP community in business operations while simultaneously embedding them (Esposito, Kapoor and Goyal 2012). Local capacity building increases a community's ability to problem solve and identify opportunities collectively while local embeddedness forges relationships in the BoP not simply for business transactions but for the long-term (Esposito, Kapoor and Goyal 2012). In other words, firms who wish to succeed at creating value in BoP markets, must develop a presence within people's everyday lives (Esposito, Kapoor and Goyal 2012). As the element of sustainability is discussed in a separate building block section, the brief mention of its importance in relation to value proposition will suffice.

One way in which a company may recreate their value proposition to suit the BoP is by collaborating with partners such as non-governmental organizations (Dahan et al. 2010; Esposito, Kapoor and Goyal 2012). Forging non-traditional partnerships for value creation is one of the most efficient ways to develop local embeddedness (Esposito, Kapoor and Goyal 2012; Hart and London 2005). According to Dahan et al. (2010) NGOs can assist with new modes of value creation thanks to their complementary capabilities which create and deliver value while simultaneously decreasing cost and risk. These partnerships grant firms access to market expertise and knowledge, develop legitimacy and provide access to infrastructure and distribution channels entrants (Esposito, Kapoor and Goyal 2012). See Appendix 7.8 for visual representations of these collaborations. As key partners compose an entirely individual business model building block, the concise discussion of its relevance is continued in this block.

2.3.4.1 Value Proposition Summary

Like most business model building blocks, value proposition presents challenges when applied to BoP markets. Due to the complexity of the market, firms who wish to capitalize on BoP opportunities must incorporate both non-traditional partnerships and include the element of sustainability by creating local capacity and embedding it (Esposito, Kapoor and Goyal 2012; Nidumolu, Prahalad and

Rangaswami 2009; Viswanathan et al. 2007; Karnani, 2007; Dahan et al. 2010, Hart and London 2005).

2.3.5 Customer Relationships

The unpredictable nature of the BoP's customer profile presents a challenge to firms who wish to capitalize on the many market opportunities (Esposito, Kapoor and Goyal 2012). The market uncertainty is driven by BoP customers' fluctuating and irregular income, minimal savings, language and literacy diversities, limited mobility and frugal purchasing attitudes (Esposito, Kapoor and Goyal 2012). Relating to BoP customers is further complicated by low population density across geography, lack of government involvement and legislative support and scarcity of information available about the BoP populations' characteristics (Esposito, Kapoor and Goyal 2012). Due to these market dynamics of BoPs, Chikweche and Fletcher (2013) underline that detailed planning and management is required in order for effective and successful customer relationship building. Despite a lack of literature specifically on customer relationships in BoP markets, overall research stresses the importance of trust, transparency and the 4As of awareness, accessibility, affordability and availability in order to forge successful relations with targeted customers (Esposito, Kapoor and Goyal 2012; Prahalad 2012).

Trust and transparency are necessary to create a functional and mutually beneficial relationship in the BoP market segment (Esposito, Kapoor and Goyal 2012). To incorporate these elements into business practice, Esposito, Kapoor and Goyal (2012) suggest adopting an inclusive approach in which the firm engages the local population in order to create trust and transparency while simultaneously providing an income opportunity for the BoP segment. Akter, Ray and D'Ambra (2012) agree with this notion, stating that the increased recognition of the importance of trust creates positive spillover effects into market share and profitability.

Awareness, accessibility, affordability and availability are elements which are highly important when building customer relationships in BoP markets (Esposito, Kapoor and Goyal 2012; Prahalad 2012). Commonly referred to as Prahalad's (2012) 4 As, managerial focus on these elements increases marketshare and profit growth, while simultaneously delivering life-improving products and services to

some of the world's most needy consumers (Markides and Anderson 2007). Step one is to create awareness for a product or service by providing essential information about what is available and how to use it. Additionally, awareness is a tool to dispel myths and misunderstandings about a product or service. Access involves creating an open line for products or services to reach consumers in rural or remote locations. Next firms must make their product or service affordable by lowering the cost or providing micro-financing schemes and services. Lastly, firms should make their product or service available in a steady and uninterrupted supply in order to build trust and a loyalty base at the BoP. (Esposito, Kapoor and Goyal 2012; Prahalad 2012)

2.3.5.1 Customer Relationship Summary

A review of BoP literature on the topic of customer relationships reveals that there is a great research gap and opportunity present for this building block. Due to the grand differences among customer segments in the BoP market, relating to them presents a unique challenge (Chikweche and Fletcher 2013; Esposito, Kapoor and Goyal 2012; Prahalad 2012). As a result, it is important to create trust and transparency through an inclusive approach while utilizing Prahalad's (2012) 4As of awareness, accessibility, affordability and availability to foster good relations (Esposito, Kapoor and Goyal 2012; Markides and Anderson 2007).

2.3.6 Channels

Prahalad (2006) considers the lack of access to BoP consumers to be one of the key challenges facing firms who wish to capitalize on BoP market opportunities. Despite the existence of numerous potential customers in the market, the nature of the impoverished individuals living in small, highly dispersed clusters adds a level of complexity in reaching them (Karamchandani, Kubzansky and Lalwani 2011; Nakata and Weidner 2012). In addition to BoP consumers being scattered and fragmented, the geography and topography of developing countries is often immense and varied, further complicating distribution, communication and sales strategies (Karamchandani, Kubzansky and Lalwani 2011; Nakata and Weidner 2012). Compared to established markets, BoP channels are commonly less developed, non-existent, mired by weak supporting infrastructure and lack the investment to maintain and develop them (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Chikweche and Fletcher 2012; Karamchandani, Kubzansky and Lalwani 2011). The BoP's lack of necessary elements like electricity, water,

technology and roads, in addition to the lack of complementary products and services, creates barriers for accessibility (Esposito et al 2012). As a result of the unique BoP market conditions, literature suggests that MNCs need to either create new channels or innovate existing market ingredients to mitigate against the shortcomings (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Chikweche and Fletcher 2012; Karamchandani, Kubzansky and Lalwani 2011).

Developing communication, distribution and sales channels is one manner by which MNCs may solve the lack of infrastructure needed to serve BoP markets efficiently (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani, Kubzansky and Lalwani 2011; Ireland 2008). Companies who wish to operate in the BoP need to create strategies which redefine the how and often this means creating the basic market ingredients which are taken for granted in developed countries (Anderson and Markides 2007; Schuster and Holtbrugge 2012). Anderson and Markides (2007) underline that the goal in the BoP should first be to develop appropriate distribution channels, second to create demand for the product or service. Additional authors (Chikweche and Fletcher 2012; London and Hart 2004) agree with the need for MNCs to address the channel challenge by developing new ones since the local partners one often relies on for infrastructure frequently lack the know-how and ability to reach BoP customers.

Another way to address the BoP channel issue is to innovate within the network and infrastructure already present and available in the market (Chikweche and Fletcher 2012; Mahajan and Banga 2005; Viswanathan 2007; Karamchandani, Kubzansky and Lalwani 2011; London and Hart 2004; Schuster and Holtbrugge 2012). Chikweche and Fletcher (2012) assert that a combination of formal and informal distribution channels is imperative, and in fact research shows that informal ones are more necessary in BoP markets than traditional ones as they minimize negative distributional effects, ensure access to products and services and provide employment and other opportunities for marginalized consumers. Informal distribution channels (social networks, truck shops, open markets) can co-exist with formal ones (family owned mom and pop grocery stores, supermarkets and wholesalers) if they have a lower priced entry strategy and provide value creating services not covered by the authorized ones (Rubesch 2005; Chikweche and Fletcher 2012). See Appendix 7.9 for a table of formal and

informal channels used by firms at the BoP.

A mixed channel approach is also suggested for communicating with BoP consumers (Chikweche and Fletcher 2012; Anderson and Markides 2007). Research shows that a combination of above (TV, radio, print) and below (sampling, mobile advertising, roadshows) the line activity yields the best results for interacting with the market. For more information about diverse sets of communication activity options in the BoP, see Appendix 7.10.

Nakata and Weidner (2012) suggest atomized distribution, arranging channels such that products and services are brought as close to customers as possible through many small or individual existing distributors, as a way to fill the shortcomings in BoP markets. Atomization can be done in four different ways, all of which utilize the available networks and infrastructure. The first is to remove middlemen to be more cost-effective, the second is to apply a micro franchise sales and distribution model, the third is to employ independent contractors to sell products out of their homes or pushcarts and the last is simply to utilize numerous, reachable, existing outlets other than retail shops, such as post offices (Nakata and Weidner 2012). Chikweche and Fletcher (2008, 2012) agree with franchising to innovate existing channels and highlight that this method empowers the franchisee to become entrepreneurial and buyers to become the distribution channel (Chikweche and Fletcher 2008; 2012). Note that the last two methods align with the above discussion of the need for a mix of formal and informal distribution channels and that they utilize BOP consumer's social nature and personal interactions between sellers and buyers to facilitate new product and service introductions (Rubesch 2005; Chikweche and Fletcher 2012; Nakata and Weidner 2012).

2.3.6.1 Channels Summary

Literature pinpoints the vast differences between BoP and ToP markets which affects communication, distribution and sales channels and must be taking into consideration when entering the marketplace. Channels, regardless of type, need to be selected for the most appropriate as well as fastest, least risky, most cost saving approach which has the highest consumer penetration. According to literature, BoP channels present a challenge as customers are numerous but often scattered and fragmented and infrastructure is either lacking or outdated. Research

suggests either developing new channels altogether or innovating the existing networks and infrastructure already present in the market. BoP literature discusses the need to utilize a mix of formal and informal, above and below the line channels to innovate within existing networks and infrastructure (Osterwalder and Pigneur 2010; Karamchandani, Kubzansky and Lalwani 2011; Nakata and Weidner 2012; Anderson and Markides 2007; Schuster and Holtbrugge 2012; Chikweche and Fletcher 2012; Ireland 2008; London and Hart 2004; Viswanathan 2007; Rubesch 2005). Note that despite literature suggesting two main approaches to solving the problem of channels in BoP markets, there appears to be a research gap regarding how firms move forward and either create new or innovate existing channels.

2.3.7 Customer Segment

Entering the BoP market and serving a new customer group is marred by uncertainties and challenges (Ucaktürk, Bekmezci and Ucaktürk 2011). Many firms make the mistake of seeing the BoP as one single emerging mass market, rather than distinct customer segments with specific needs and behaviors (Sehgal et al. 2010; Egan and Ovanessoff 2011).

To have success in the BoP, firms must identify and group customers on the basis of behavioral and need characteristics rather than by simple demographics (Egan and Ovanessoff 2011). In BoP markets it is vital to uncover cross-country segmentations as a consumer in Cape Town has more in common with a consumer in the same income and expenditure bracket that lives in New York than those in the South African BoP (Egan and Ovanessoff 2011). Identifying and targeting customer segments which are scalable and transportable across countries, cultures and languages presents a great opportunity in BoP markets (Prahalad and Hart 2002; Egan and Ovanessoff 2011). Prahalad's 12 Principles (2002) underline that solutions which are adaptable to similar BoP markets are a main element of success.

2.3.7.1 Customer Segment Summary

BoP customer segmentation success relies heavily on incorporating a cross-country approach based on behavior and characteristics (Sehgal et al. 2010; Egan and Ovanessoff 2011; Prahalad and Hart 2002). Further, these BoP segments should be identified and targeted in a scalable and transportable manner which can

be applied across countries, cultures and languages (Prahalad and Hart 2002; Egan and Ovanessoff 2011).

2.3.8 Cost Structure

One of the biggest hurdles to overcome when serving BoP consumers is to ensure that products or services offered are affordable enough for consumers with low disposable income. As a result a differentiation strategy, which is common in ToP markets today (Appendix 7.11.8), is not advisable to apply. Hart (2010), one of the pioneers of the BoP literature, comments on the previously noted differences and states that the BoP market does not allow for the traditional pursuit of high margins. Rather volume and capital efficiency are important as margins are likely to be low. Prahalad (2012) claims that changes in the customary price-performance relationship in form of new innovative price models are the solution to serve the poorest group of the economic pyramid. Logically, this has consequences for the cost structure, as cost needs to be kept low in order to be able to offer an affordable price point. Additionally, due to the variation of BoP markets, solutions created must be scalable and transportable across countries, cultures and languages in order to reap the advantages of economies of scale. Thus innovations must be designed for ease of adoption to similar BoP markets. (Prahalad and Hart 2002). The scalability issue is also identified by Dolfsma, Duysters and Costa (2009) as the main reason for why so-called pro-poor innovations fail in underserved communities. Non-profit organizations which usually promote such innovations do not have the required resources to scale-up their solutions.

Furthermore, products need to match the cash-flows of customers who often receive their income on a daily rather than weekly or monthly and on a more irregular basis (Anderson and Billou 2007). This forces a company to align and focus on costs considerably more than at the ToP. Some BoP researchers claim that products offered need to be of high quality (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) a challenge as firms need to be capable of providing high-quality, low-cost solutions. Other researchers as Hart (2010) though see the solution for the cost problem in disruptive innovations, a theory developed by Christensen (1997) which allows a larger population of less skilled and resource rich people to buy products which are of lower, but satisfactory quality.

2.3.8.1 Cost Structure Summary

As people in the BoP have low and irregular income it is essential to keep costs affordable. Rather than counting on high margins, as is common in ToP markets, low margins need to be accounted for. Firms can compensate with enormous volume such that the revenue stream remains high. In order to reach this volume, the solutions created for the BoP need to be scalable across countries, cultures and different languages. Although prices offered to BoP consumers need to be low, the quality needs to remain high. Further on BoP consumers do not receive their income on a monthly basis, but rather irregularly, which needs to be factored into the cost structure.

2.3.9 Revenue Stream

Though BoP markets are increasingly considered attractive markets with great potential, business modeling around the revenue stream building block presents one of the greatest challenges (Linna and Richter 2011). Overall there exists minimal BoP literature on the subject however the majority of it underlines the importance of aligning profit pursuit with poverty relief and empowerment for success in the marketplace (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012).

The overarching focus of BoP entrants should be on social goals such as eradicate poverty while hunting profit-maximization (Ansari, Munir and Gregg 2012). Chatterjee (2013) agrees underlining that investments in the BoP should not be measured by short-term figures such as revenue and profit but rather by long-term objectives like the development of transaction capacity. Battilana et al. (2012) put forth a hybrid concept of combining a social welfare and a traditional revenue generation model, a concept which exists in sectors such as job training, health care and microcredit. Hybrid models can be the “fountain of innovation” yet the unfamiliar combinations of activities for which a supportive ecosystem may not yet exist challenges legal recognition, financing, pricing of goods and services, and creating a balanced organizational culture. (Battilana et al. 2012)

2.3.9.1 Revenue Stream Conclusion

To successfully develop a high and consistent revenue stream in BoP markets, literature suggests combining an element of social welfare with a traditional revenue generating approach (Chatterjee 2013; Prahalad 2006; Battilana et al.

2012; Ansari, Munir and Gregg 2012). The lack of thorough discussion and analysis on the subject highlights a literature gap on BoP revenue streams, particularly in regards to how firms develop these hybrid business models.

2.3.10 Sustainability

Creating sustainable development by lifting the BoP out of poverty and opening the way to sustainable growth for the global economy is one of the major concentration of BoP literature (Prahalad 2012; Prahalad and Hart 2002). In order to operate profitably in BoP markets while simultaneously helping the people living there, the concept of sustainability must be placed focus on. Sustainable development creates positive spillover effects which create new jobs and alleviates poverty in the long-term in a manner that is neither damaging nor harmful (Hart 2010; Prahalad 2012). This point reflects the original idea of sustainable development, defined by the World Commission on Environment and Development (WCED 1987). This chain of thought is often referred to as 'Green Growth' and describes the concept of seeking to establish pathways for sustainable development through a combination of private sector innovation and engagement within a supportive national context (Withagen and Sjak 2012). Three challenges are targeted simultaneously, to encourage development and poverty reduction while creating new and more vibrant economies based on clean technologies and securing an increasingly greener world. However, the approach is still "full of questionable assumptions" (Jänicke 2012: 1) and there exists little consensus on how to measure and concretely act sustainably.

BoP authorities believe that by better meeting local needs, a venture improves its economic performance. This BoP proposition offers an important, but not yet well-tested, perspective on poverty alleviation (London 2007; London, Anupindi and Sheth 2010) Allegedly, if a venture does not generate the anticipated societal value, partnerships dissolve, eliminating the associated competitive advantage. Real life experiences made by MNCs seem to support this conclusion. Venn and Berg (2013) investigated Philips which has three South Asian BoP ventures and found that the achievement of the triple bottom-line impact (people, planet, profit) is a core driver in all BoP ventures. Simanis and Harts (2008) highlight the need for sustainable BoP operations by calculating that selling to the 6.5 billion people consuming at a typical American level would require the equivalent of three to

four planets to supply the necessary raw materials, absorb the waste and stabilize the climate.

Unfortunately, the majority of private sector companies currently operating at the BoP tend to be more damaging than helpful and thus the possibility that future BoP operations by MNCs will damage low-income countries to an even larger degree exists (Hart 2010). Simanis, Hart and Duke (2008) state that there is no agreement about the potential benefits of the BoP approach for either private companies or consumers and suggest that further research on characterizing the BoP segment and finding the appropriate business model for attending the BoP can provide some answers. Business in this segment, consisting of some of the most vulnerable segments of society, can have grand consequences. Gordon (2008) questions if MNC operations may threaten local culture and independence while providing nowhere near the economic or societal advantages suggested by others. On the other hand, previous research has shown that further development aid in the form of increased donations and charity, the most common form of aid today, will not have long-lasting effects (Hahn 2009).

2.3.10.1 Sustainability Summary

BoP characteristics dictate that in order to operate successfully, firms need to adopt sustainable undertakings. Sustainability in the form of social and environmental performance must be ensured by firms operating in BoP markets and hence be respected in BoP business models. All in all, it becomes evident that although this concept has been constructive and successful in many ways, it lacks a clear pathway of how to realize the approach.

2.3.11 Market Environment

Several authors (Anderson and Markides 2007; Hart and London 2004) highlight that major innovation of business models are required in order to develop successful strategies for the unique market environment of the BoP. Reaching the four billion people in low-income markets poses both tremendous opportunities but also unique challenges. Unique market conditions require targeted approaches. BoP literature provides several conclusions on how to identify and distinguish these characteristics to assist in the selection of an appropriate business model approach and maximizing the possibility of success.

In regard to the market environment, the potential of the market seems to be essential. Yet, Prahalad and Hart's (1999) original idea of the BoP as a profitable market that should be captured by MNCs, has been questioned by proponents and opponents of the BoP approach and the debate of who should operate at the BoP rages on (London, Hart and Barney 2011; Rivera-Santos and Rufin 2010; Karnani 2007).

Further on, a differentiation between the institutional and competitive environment seems appropriate as firms face the most severe contrast to ToP markets in these areas as Rivera-Santos and Rufin (2010) suggest.

Weak institutional environments are the main factor that hinders businesses from undertaking ventures in the BoP markets as institutional gaps hamper economic value creation by increasing the cost of doing business (Reficco and Márquez 2012). The consequences of these gaps are extensive as regulations and laws are replaced with strong traditional ties in communities (London and Hart 2004). For instance, contracts are seldom sufficient in developing contexts, political systems are slow to act and sometimes viewed as corrupt (Chesbrough et al. 2006). Due to the fact that the utilization of both formal and informal institutions and mechanisms are essential in BoP initiatives, Rivera-Santos, Rufin and Kolk (2012) emphasize that firms have to be pay extra attention to the market environment. This requires a mind shift of MNCs which is an essential part of BoP markets (Rivera-Santos and Rufin 2010; Hart 2010; Rivera-Santos and Rufin 2010; Prahalad 2012).

Rivera-Santos and Rufin (2010) conclude that the competitive structure at the BoP, where local firms to a much higher degree play an essential role if the firms are embedded in the informal environment and linked to local powers, vastly differs from that of the ToP. Other authors reinforce this assumption, by claiming that entering the BoP market is not, as often stated in strategic theory, like a "Blue-Ocean" (Kim and Mauborgne 2005) or "competing against non-consumption" (Hart and Christensen 2002) but rather involves competing against local players embedded in the informal institutions of the BoP markets. Due to the lack of market intermediaries, market-building activities at the BoP are needed (Rufin and Rivera-Santos 2010). Esposito et al. (2013) underline the characteristics of the competitive environment just as Rufin and Rivera-Santos

(2010) do, claiming that key elements of the value chain such as suppliers, complements and the distribution systems do not exist in the same way as they do in ToP markets.

2.3.11.1 Market Environment Summary

Due to the immense differences which exist between market environments, it is essential for firms to tailor their business model in accordance with the unique setting in which they operate (Anderson and Markides 2007; Hart and London 2004). Literature suggests partnering with local firms to combat the competitive nature of the market, but to be aware of corruption. Further on firms should concentrate on market-building activities (Rivera-Santos and Rufin 2010; Esposito, Kapoor and Goyal 2013).

2.3.12 Summary

The building block literature summary illustrates the most important considerations for operating in the BoP market. The table below summarizes the key findings for each building blocks:

Building blocks	BoP Literature Findings
Key partners	<ul style="list-style-type: none"> • Producer-oriented approach (Karnani 2007) • Cannot capture BoP potential without partners. Innovation within the ecosystem essential. Main gaps at BoP markets should be substituted within interactive networks and relationships to share assets, resources and capabilities (Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) • Inclusive business models requiring long-time working relationships and demand education, empowerment and skill transfer (Reficco and Márquez 2012) • Build mutual trust, interest and commitment (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008; Reficco and Márquez 2012) • Four phases: Not linear, elements of changes and feedback loops (Simanis and Hart 2008) • Cross-sector partnerships to access resources such as capital, managerial expertise and technology (Anderson and Markides 2007; Rivera-Santos and Rufin 2010 ; Wheeler et al. 2005; Sanchez and Ricart 2010) • Typology of BoP approaches not confirmed (Mohr, Sengupta and Slater 2012) • Partner with governments for financial aid (Seelos and Mair 2007; Simanis and Hart 2008)

	<ul style="list-style-type: none"> • NGOs can play a role in raising, training and developing funds and adapting business models (Chesbrough et al. 2006) • Civil society partners can help meet customer needs and support firms in responding to market conditions. Governmental organizations support firms to respond to institutional environment (Schuster and Holtbrügge 2013)
Key activities	<ul style="list-style-type: none"> • Key activities focus on serving domestic markets (Caves 2007) • Must be arranged in order to answer to unique and challenging conditions (Jagtap et al. 2013) • Key activities reflected in all other building blocks (Jagtap et al. 2013)
Key resources	<ul style="list-style-type: none"> • Sustainable and ecofriendly solutions essential (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) • Important to focus on limiting, reducing and recycling (Prahalad and Hart 2002; Hart 2010) • Use of local, tangible and intangible resources (Prahalad and Hart 2002; Hart 2010) • Use renewable resources that can regenerate naturally and substitute non-renewable resources (Chopra and Narayana 2012; Bardi and Massaro 2013; Hart and Christensen 2002) • Constraints in acquiring key resources (London, Anupindi and Sheth 2010)
Value proposition	<ul style="list-style-type: none"> • Proposition must match consumer's perception of need for value (Ramani et al. 2012; Egan and Ovanessoff 2011) • High quality product or service vital (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) • Demonstrate and prove quality through education (Prahalad 2012) • Focusing on shared value, both economic and social (Esposito, Kapoor and Goyal 2012, Porter and Kramer 2011) • Capture revenue by engaging the market segment (Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart 2010; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) • Build local capacity and embeddedness (Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart and London 2005) • Innovate proposition with sustainability (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) • Collaborate with non-traditional partners (Dahan et al. 2010; Esposito, Kapoor and Goyal 2012) • Awareness and affordability (Prahalad 2012)
Customer relationships	<ul style="list-style-type: none"> • Keep reputation as clean, ethical and of value (Esposito et al.) • Detailed planning and management required for effective and successful relationship building (Chikweche and Fletcher 2013) • Inclusive approach to engage local population (Esposito, Kapoor and Goyal 2012; Reficco and Márquez 2012) • Trust and transparency are essential (Esposito, Kapoor and Goyal 2012; Prahalad 2012) • Awareness necessary (Esposito, Kapoor and Goyal 2012; Prahalad

Channels	<ul style="list-style-type: none"> 2012) Unpredictable customer profile: fluctuating and irregular income, minimal savings, language diversities, varying literacy levels, limited mobility, frugal purchasing attitudes, low population density across geography, lack of government and legislative support and scarcity of data available (Esposito, Kapoor and Goyal 2012)
Customer segments	<ul style="list-style-type: none"> Mix above and below line communication channels (Chikweche and Fletcher 2012; Anderson and Markides 2007) Major barrier to entry (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani et al. 2011; Ireland 2008) Less developed, non-existent, weak supporting infrastructure and lack investment to maintain and develop (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Chikweche and Fletcher 2012; Karamchandani et al. 2011; Prahalad 2006; Nakata and Weidner 2012) Consumers are scattered and fragmented; geography and topography immense and varied (Karamchandani et al. 2011; Nakata and Weidner 2012) Develop new channels or innovate within the network and infrastructure present and available (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani et al. 2011; Ireland 2008; Chikweche and Fletcher 2012; London and Hart 2004) Mix formal and informal distribution channels (Rubesch 2005; Chikweche and Fletcher 2012) Atomized distribution (Nakata and Weidner 2012)
Cost structure	<ul style="list-style-type: none"> Cross-country approach (Egan and Ovanessoff 2011) Segment in a scalable and transportable manner across countries, cultures and languages (Prahalad and Hart 2002; Egan and Ovanessoff 2011; Dolfsma, Duysters and Costa 2009) Do not view the BoP as one single emerging mass market (Sehgal et al. 2010; Egan and Ovanessoff 2011) Identify and segment customers on the basis of behavioral and need characteristics (Egan and Ovanessoff 2011)
Revenue stream	<ul style="list-style-type: none"> Calculate with low margins, compensate with high volume (Hart 2010) Changes in the customary price-performance relationship by innovative price models (Prahalad 2012) Scalability of products across countries, cultures and different languages (Dolfsma, Duysters and Costa 2009; Prahalad and Hart 2002; Egan and Ovanessoff 2011) High quality product/service (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) Solution for the cost problem lies in disruptive innovations (Hart 2010) Irregular and low income not an issue (Anderson and Billou 2007)
Revenue stream	<ul style="list-style-type: none"> Align profit pursuit with poverty relief and empowerment (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) Hybrid business model approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) Combine social welfare with traditional revenue generating approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012)

Sustainability	<ul style="list-style-type: none"> • One of the greatest challenges (Linna and Richter 2011) • Sustainable social and environmental growth essential (Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Nidumolu, Prahalad and Rangaswami 2009; Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Prahalad and Hart 2002) • Benefits of BoP segment questionable • Majority of private sector companies operating at BoP are more damaging than helpful (Hart 2010; Simanis, Hart and Duke 2008; Gordon 2008) • Literature lack on how to realize and measure sustainable approaches (Jänicke 2012; London, Anupindi and Sheth 2010)
Market environment	<ul style="list-style-type: none"> • Contracts are seldom sufficient in developing contexts, political systems are slow to act and sometimes corrupt (Chesbrough et al. 2006) • Utilization of both formal and informal institutions and mechanisms are essential. Firms must pay more attention to corruption (Rivera-Santos, Rufin and Kolk 2012) • Mind shift of MNCs essential (Rivera-Santos and Rufin 2010; Hart 2010; Prahalad 2012) • Weak institutional environments hinder businesses from undertaking ventures as institutional gaps hamper economic value creation (Reficco and Márquez 2012) • Regulations and laws are replaced with strong traditional community ties (London and Hart 2004) • Local plays more important role especially when embedded in the informal environment and linked to local powers (Rivera-Santos and Rufin 2010) • Due to the lack of market intermediaries, market-building activities are needed (Rufin and Rivera-Santos 2010; Kapoor and Goyal 2013) • BoP questioned as a profitable market (London, Hart and Barney 2011; Rivera-Santos and Rufin 2010; Karnani 2007)

Table 1: Summary Of BoP Literature Findings

3 Research Methodology

The research which this Master Thesis is based upon is grounded in explorative and empirical case studies. This approach has been chosen to discover and analyze how Norwegian MNCs operate in the South African BoP. The empirical research findings about challenges, opportunities and solutions in the South African market are compared and contrasted against key BoP literature findings. The research will answer questions such as how Norwegian MNCs adopt their business model in the South African BoP, if there are differences between literature findings and reality and whether or not literature appropriately reflects the weight and importance of the different building blocks. The purpose of investigating the real-life experiences of firms, who conduct business in South Africa, is to uncover how MNCs can adopt their operations to overcome barriers of the market. The overarching aim of the research is to use the qualitative and semantic explanations to develop a new BMC tailored to the South African BoP market.

3.1 Research Approach: Qualitative Vs. Quantitative Research

The selection of a research method must be based on the type of research question, the amount of control a researcher has over the behavioural events and the degree of focus on contemporary rather than historical events (Yin 2009:26). Using Osterwalder's (2010) BMC as a basis for structuring the literature review, several findings in relation to BoP markets have been uncovered. In order to gain a well-rounded and thorough perspective on business model innovation, it is essential to review how Norwegian MNCs operate in the South African BoP in reality versus what literature proclaims.

As business activities in the BoP are a complex social phenomenon with multiple international and local players and lack clear boundaries, the research will be conducted in a qualitative manner through open and explorative questions. The goal is to find the opinions, perceptions and attitudes as well as experiences and intentions of Norwegian MNCs operating in South Africa. This form of research is particularly valuable and relevant for this study because it can be utilized to explore assumptions and to examine relationships between variables. Simultaneously it provides flexibility during the process, which allows alterations of the research focus to include new discoveries during the data collection process

and to create close contact with experts in the field (Grønmo 1998; Thagaard 2009).

A quantitative approach is less recommended for this specific research as its focus is to count and measures things (Berg 2009). As there does not exist a plethora of Norwegian MNCs operating in both Norway and South Africa, the research cannot provide a large number of results. Furthermore, most quantitative research aims to test a theory by looking at the relationship among variables and posing a hypothesis (Creswell 2003). As this work is looking to discover rather than test, a qualitative approach is deemed more appropriate.

Though the importance of qualitative research is never questioned in the abstract, it is sometimes negatively associated with being nonscientific because scientific generalization needs a multiple set of replicated experiments under different conditions (Berg 2009). As a rebuttal to these critics, Berg (2009) argues that they have lost sight of the probability factor of quantitative practices and replaced it by an assumption of certainty. Using a qualitative approach emphasizes the production of knowledge based on people's own experiences and is therefore suitable to develop theories and hypotheses (Grønmo 1998). Findings from the conducted research illustrated various times that constructed realities presented in academic works deviated from concepts experienced by multinational operators. CEOs, project managers, presidents and senior managers had for instance a more nuanced picture of the channel building block than the literature review proclaimed. After conducting several interviews we reached what Ragin and Amoroso (2011) call an ideal saturation point where recently collected evidence appeared repetitious. As a result a total of eight case studies were conducted.

3.2 Research Design

For case studies, literature review as part of the design phase is essential (Yin, 2009). The conducted literature analysis found in chapter two lays a foundation of knowledge and understanding for the subsequent empirical process. Several approaches exist to conduct investigations ranging from surveys, archival analysis and history to experiment and case studies (Yin 2009). In order to select the appropriate research design, researchers need to classify the type of research question that is in focus. "What" questions are either exploratory or apply for the aspect of prevalence. "Why" and "How" questions promote experiments, case

studies or histories. To achieve what Yin (2009, 4) refers to as “the holistic and meaningful characteristics of real-life events” the interplay between all the elements of a business model need to be analyzed. This implies conducting a study that copes with and handles many variables.

As a result the research in this Master Thesis is carried out as an explorative and empirically grounded case study. The area of investigation is too complex for a survey or experimental strategies. Case studies develop an understanding of social phenomena and thereby provide a holistic and meaningful insight into reality of for example organizational and managerial processes. Using multiple sources for collection of data, such as interviews, document analysis and observation, will be in light of Yin’s (2009, 18-19) perception of a case study. We can conclude that in order to understand *how* MNCs operate at the BoP, a research in form of case studies is well suited.

Norwegian multinational players are interviewed to reveal the differences between BoP and traditional ToP approaches. Due to the claim that case studies lack scientific generalization, it must be noted that case studies are generalizable to theoretical propositions and not whole populations. In summary, the case study’s goal is it to “expand and generalize theories” (Yin 2009, 15).

3.2.1 Interview Composition

Secondary data is gathered through annual reports as well as public information and is used to complement and verify the primary sources. Primary data is gathered through interviews by speaking with MNCs operating at the BoP with the aspiration of gaining a deeper understanding of the key success elements of business models and how these interrelate. How a case study and inclusive interviews are structured and performed depends on what the researcher aims to discover. Systematic samples combined with highly structured interviews and close-ended questions serve the purpose of uncovering information about large populations (Yin 2009). In contrast, open-ended questions give interviewees more flexibility in their responses. Aberbach and Rockman (2002) confirm this by concluding that semi-structured interviews strengthen the natural flow of the interview; outweighing the advantages of consistent ordering and maximizing the response validity as respondents formulate their opinion within their own framework.

It's important to note that the cost and time aspect combined with open-ended question are remarkable (Yin 2009). In order to escape this pitfall, as the understanding grows through the process and experience of interviewing, the intention is to shorten and hone in on the questions that are most relevant for the specific interview. In summary, mostly open-ended questions will be utilized in order to provide variety and to allow for spontaneity and flexibility during the interview process. The complete interview guide is available in Appendix 7.12.

3.2.2 Interview Approach

According to Grønmo (1998:90-91), the most important instrument in the process of data collection is the interviewer himself. Several reasons lie behind this statement and the most obvious is that it is the researcher who interprets the collected data. The information gathering process and results are also affected by the personal attributes and the sociocultural background of the researcher. The results of the empirical research also depend on the interviewees and the amount and kind of information shared during the conversations. The goal throughout the process is to make the situation as comfortable for the interviewee as possible. Therefore the interviews in this work are conducted in either English or Norwegian, depending on the preference of the interviewee.

In cases studies where depth, context or historical record are the basis of the data collection, Berry (2002) states that elite interviewing using broad, open-ended questioning to be the best approach. By elites, Berry (2002) refers to employees who hold prestigious positions in their firms and who often possesses the most valuable knowledge about the company's strategic undertakings. In elite interviews, the researcher reviews necessary information to arrive at a provisional analysis and the interviewees are chosen on the basis of participation in specific projects and undertakings (Berry 2002). This interview format is well suited for this particular research's purpose and thus the chosen method to conduct the case studies.

On basis of this selection, the interviewee is given the opportunity to dominate the conversation and share all their insights. Simultaneously, the researchers have the interview guidelines which include all elements of Osterwalder's BMC, in mind to ensure that the most important factors, if not touched upon naturally, are covered.

Due to the fact that most of the interviewees travel to South Africa frequently or live there, the interviews are mainly conducted via Skype. Face-to-face conversations are set-up when the situation allows for it. All interviews will be recorded and afterwards transcribed. The full interview transcription is available in Appendix 7.12. Insights gained by these interviews will be presented to the reader through an interpretative and narrative approach.

Access to informants, when undertaking elite interviews, is seen as a common problem for researchers (Richards 1996, 200). Therefore collaboration with Innovation Norway, the Norwegian governmental body whose prime focus is to foster innovation and entrepreneurship, is chosen in order to gain access to resource-rich elites working in Norwegian MNCs in the South African BoP. As all of the interview subjects approached confirmed positively on participating in the study, introducing the research project by mentioning Innovation Norway proved positive and further adds validity to this work.

3.2.3 Interview Quality

Although the aim is to let the well-educated informants speak about their work and give them as much flexibility as possible, the researchers envision participating actively during the interviews to be able to influence the direction of the conversation when informants provide unproductive answers (Berry 2002). This also allows the elites to challenge the researchers' perspectives which according to Berry (2002, 680) is an important factors regarding the success and quality of elite interviewing.

The quality of case studies must be ensured and secured through four design quality elements: construct validity ("identifying correct operational measure for the concepts being studied"), internal validity ("relevant for explanatory or causal studies; seeking to establish a causal relationship whereby certain conditions are believed to lead to other conditions"), external validity ("defining the domain to which a study's findings can be generalized") and reliability ("demonstrating that the operations of a study can be repeated with the same results") (Yin 2009:40).

As the results from this work derive from interviews, where the content of the information is dependent on the researchers and interviewees interrelation (Thagaard, 2009) they cannot be seen as independent. Therefore it is important to

operate as comprehensible as possible, giving a clear report on the data information process.

Furthermore reliability means according to Yin (2009:45) to minimize failures and biases in a research study. Taping the interviews and giving access to all data, the research aims to be as transparent as possible. Validity tests are engaged with how subjective results are and aim to secure that data information commensurate with the objectives of the research (Yin 2009: 41). The reader is supported with this data as well as the interview guidelines, such that one can easily follow the researcher's conclusion as well as critically review the data independently from the researcher's perceptions (Thagaard, 2009:199).

As Richards (1996:201-202) claims that knowledge about respondents improves the process of gathering information, all necessary preparations have been made. Through the literature work in this paper the researchers have become experts on the respective topic. Furthermore they prepared for the interviews by investigating the firm and the career of informants as well as by formulating relevant questions. During the interviews this created the ability to link answers and the area of expertise of interviewees with the research project in order to motivate or reinforce them in their answers.

Conducting interviews with two researchers has proven to be advantageous. Richards (1996:203) highlights the importance of writing down notes to avoid the need for recollecting information. In addition to utilizing a tape-recorder, a tool accepted by the interviewees up front, one interviewer recorded the most important elements in the conversation while the other asked the questions and communicated with the informant. This allowed both interview partners to ask questions, when they came up and supported flexibility within the process, without comprising on the quality.

3.2.4 Interview Partners

For elite interviewing Berry (2002) suggests that one should make use of multiple sources. Hence various elites are interviewed aiming to gather the most valuable information. Interviewees are selected on the basis of their knowledge that can complement or confirm the interviewer's preliminary results and conclusions (Aberbach and Rockman 2002). In addition data from other sources has supported

the findings of the research, as for instance annual reports as well as homepages of the respective firms in order to find valuable research objects. As the interviews and companies are to remain anonymous, the following sections introduce the eight interview subjects and their South African operations. As the respective companies have a main impact of the changes made in the new Canvas, only companies with promising overall results are chosen.

Company A

Company A is a leading and fast-growing supplier of photovoltaic (PV) solar energy solutions, who focuses on making solar power attractive and affordable to customers and investors worldwide. By providing sustainable energy, Company A provides a much needed and highly demanded product to the South African BoP. The firm's objective is to establish solar PV as a sustainable and lucrative future source of energy all over the world. The interview subject from Company A was the Vice President of Project Management who oversees approximately 80 employees in South Africa. The firm operates in rural settings with B2G partnership compositions.

Company B

Company B delivers technology and services for mobile marketing and mobile advertising. The firm provides a service which better reaches and communicates with BoP consumers through the most popular and widespread technology in South Africa, the cell phone. Established in 2000 as a spinoff from the Norwegian University of Science and Technology, the company has grown to become a preferred supplier of mobile web, mobile marketing and mobile advertising solutions and services for brands and advertisers, publishers and agencies internationally. The interview subject from Company B was the Country Manager for South Africa who essentially operates alone with the parent company in Norway as a backer. The firm operates in urban settings with B2B partnership compositions.

Company C

Company C reduces the utilities costs related to power supply interruptions by offering products for remote control and fault detection for medium voltage distribution networks. The firm's product offerings include line indicators, cable indicators, remote terminal units and system solutions. By protecting and ensuring

power supply, Company C ensures that the demand for necessary energy in the South African BoP is met. The interview subject from Company C holds the position of Managing Director in South Africa. The subject works alone in the rural market with B2G collaborations.

Company D

Company D is dedicated to railway safety, specifically safety at level crossings. The firm developed a robust and reliable warning and safety solution for level crossings based upon new novel technology. This solution provides substantial savings, compared to current systems, without compromising on quality in the South African BoP. Company D helps railroad authorities meet their strategic target of zero tolerance in the field of safety and accidents on level crossings. The interview subject is the CEO of Company D and operates with a few employees, in rural areas with B2G partnership compositions.

Company E

Company E provides real-time 3D graphics and asset management tools for the broadcast industry. The company offers news organizations a solution that puts the journalist in complete control of all their content by providing packages that include hardware, professional services, installations, support, etc. This product allows for the dissemination of information to all South African segments, including the BoP. The interview subject is the President of Company E who operates alone in the urban market through B2B partnerships.

Company F

Company F is a technology firm which makes web browsers for computers, phones and any other device. The company believes that an open, connected world powered by great technology and services is essential to break down barriers that limit access to information, education and fun. By providing their browser for free and making it compatible with all cellular phones, Company F helps the South African BoP gain access to information. The interview subject is the Managing Director for the African Region, operates with one co-worker in urban South Africa through B2B partnerships.

Company G

Firm G is an interdisciplinary engineering and design consultancy, which provides services to clients in public and private sectors worldwide. The company employs engineers, economists, social scientists, architects, landscape architects, and information and communication technology professionals, as well as experts in a broad range of specialty fields.. Through their work, company F consults on better business practice which has a ripple effect on the South African BoP. The interview subject from Company G is the Managing Director for Africa who works in an urban setting in both B2B and B2G partnerships.

Company H

Company H is a publicly maintained leading educational facility in upper-secondary and technical college studies. It specializes in providing high professional services, skilled training and education in the oil and gas industry, both onshore and offshore, nationally and internationally. The service provides the opportunity to learn and improves the overall level of education in the BoP segment. The main objective of the company is to be at the forefront in providing education in offshore drilling and the areas of education include Oil and Gas, Nautical/Maritime, Electro/Automation, Engineering, Building and Construction and International Projects. The interview subject is the Managing Director who operates in urban settings through partnerships with B2B and B2G.

4 Empirical Analysis

In the next chapter, the empirical South African research results are analyzed in comparison to BoP literature findings. As such, only relevant BoP literature in addition to South African specific empirical findings are identified, creating the basis for tailoring the original BMC to the circumstances of the South African market. This approach is selected on basis of the literature review which revealed that BoP literature is often too general and at times misleading considering the strong differences between specific BoP markets.

In order to identify South African specific BoP characteristics, it is essential to analyze the empirical research of the interviews more in-depth. The goal of the empirical analysis is to uncover what BoP literature is unconfirmed, what is confirmed and what the case studies found to be specific for the South African BoP market. These findings will be utilized for the development of a new Business Model Canvas tailored to the South African BoP.

4.1 Key Partners

4.1.1 Unconfirmed BoP Literature

Although BoP authors highlight the importance of cross-sector partners and respective support functions such as bringing different resources, managerial expertise or technology to the cooperation, none of the investigated firms cooperate with nongovernmental organizations (Chesbrough et al. 2006; Seelos and Mair 2007; Simanis and Hart 2008; Anderson and Markides 2007; Rivera-Santos and Rufin 2010; Wheeler et al. 2005; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013). Concluding, the BoP literature claim that cross-sector partners are needed to counterbalances BoP gaps is not reinforced. Some of the interviewed companies operate in within-sector partnerships and nevertheless manage to overcome the South African BoP gaps successfully. Concluding, within-sector partnerships are suited to operate at the BoP in South Africa, illustrating a major difference between literature findings and empirical results.

Comparing the partnerships with the typology of BoP approaches by Mohr, Sengupta and Slater (2012), the suggested partnerships composition within the different cells is not reinforced. For instance, in the theoretical framework, hybrid partnerships with B2G cooperation are arranged within cell seven, where consumer's resources and the infrastructure availability are moderate. Yet, the

investigated hybrid partnerships operate where the consumer's resources are moderate, the infrastructure availability is in some cases (A, C, D) low because they operate in a rural South African context. Also diverging from literature, are business-to-business cooperation findings. The conducted research shows that the co-creation process is only arranged by for-profit players. This is not reflected in Mohr, Sengupta and Slater's (2012) framework which suggests hybrid partnerships of non-profit and for-profit businesses in cell number seven. Thus, the typology of BoP approaches by Mohr, Sengupta and Slater (2012) does not reflect the South African approaches of the MNCs investigated.

4.1.2 Confirmed BoP Literature

The interview process revealed that it is impossible for MNCs to capture the South African BoP potential without key partners. As reflected by several BoP researchers and reinforced by the empirical findings, MNCs must innovate their business models to incorporate key partners and construct an ecosystem where assets, resources and capabilities are shared within an interactive network (Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013). Empirical research revealed that the BoP approaches chosen by Norwegian MNCs operating in South Africa are producer rather than consumer orientated, an aspect also claimed by Karnani (2007). In alignment with BoP literature, interview partners underline the importance of key partners as a solution for overcoming the barriers associated with conducting business in South Africa.

All of the interviewed companies can be classified as operating within an inclusive business model as they cooperate with local firms with whom they combine their resources, assets and capabilities while sharing responsibility rather than one party taking complete control. This confirms the BoP research findings by Reficco and Márquez (2012) that indicate a development trend from a BoP 1.0 approaches towards an inclusive one. Interviewees that are satisfied with their key partners and their collaboration, highlight the importance of long-time working relationships and empowerment of all actors in the network. As reflected by BoP literature the South African interviewee partnerships build on mutual trust, interest and commitment through highly personalized relationships and effective

participation by all actors (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008; Reficco and Márquez 2012).

In alignment with Rivera-Santos and Rufin's (2010) research findings, the partnerships of the interview candidates are vastly different at the BoP in comparison to traditional ones. Respondents highlight for instance the need of both formal external and informal mechanisms for their partnerships. As such, firms have to pay particular attention to aspects such as corrupt systems, a point also underlined by Rivera-Santos, Rufin and Kolk (2012).

Examples where partnerships resulted in negative experiences additionally reinforce the key findings in BoP literature and empirical research. For instance, company B which experienced the greatest challenge with regards to partners, is based on short-term projects and chooses key partners randomly by employing what they call the 'dart phenomenon,' e-blasting potential partners in hopes of retrieving positive response.

4.1.3 South African Specific Empirical Findings

The conducted PESTEL analysis showed that standards taken for granted in Norway cannot be expected in South Africa, particularly because the country suffers from a dominant lack of education. Yet, BoP literature only highlights the need of education in terms of the customer segments. In contrast, almost all interviews (C, D, E, F, G, H) reinforce the importance of an educational approach of all their key partners as a success factor. Local South African partners are often skeptical of new entrants and as such MNCs who wish to enter the market must prove, often through demonstrations and quality testing, that their product or service is of valuable.

Although the BoP literature emphasizes the importance of well-functioning partnerships, little research exists on how firms find these key partners in reality (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008; Reficco and Márquez 2012). Companies investigated have chosen different approaches and some of them state that finding the right local partners is one of the main challenges in South Africa. Most firms sort out and develop their key partnerships during the early planning phase and do not commence a project before this piece of the puzzle has fallen into place. Some of them seek assistance

from governmental organizations like Innovation Norway in their quest for good and reliable partnerships early on. In addition, internet search tools like Google are used to research and find the right partners to cooperate with. Company B which experienced the greatest challenge with key partners found their key partners randomly by e-blasting to all contacts they could find in hope of positive answers.

In addition to the advantages of cooperating in an inclusive network, other success factors uncovered by research are mutual understanding, the specification of roles and responsibilities and the need for physical presence to shape personal interactions. A challenge for respondents is overcoming their inertia and being able to trust their key partners. A main fear revealed by the interviews is key partners copying their value proposition, establish firms and become competitors.

In terms of the composition of partnerships, strong differences have been identified between BoP literature and South African empirical findings. Instead of cooperating within NGO partnerships, companies investigated have chosen to only cooperate with other businesses (B2B) or the government (B2G). Five of the companies (A, C, D, G, H) operate within B2G operation, meanwhile three (B, E, F) are based on B2B operations. This building block, though important for both, appears to have even greater value for B2B operations as they have substituted employees with local key partners. As a result these companies choose key partners who compliment them. Interview statements show that partnerships are extremely important for B2B cooperation, but also very complex as all partners tend to have their own agenda. As a result, firms do not give exclusivity to any partner and develop a variety of partnerships.

4.2 Key Activities

4.2.1 Unconfirmed BoP Literature

No BoP literature is unconfirmed by the South African empirical research findings.

4.2.2 Confirmed BoP Literature

On basis of BoP author Caves' (2007) definition of MNC operations in developing countries, all key activities executed by the investigated firms can be classified as focusing on serving the domestic market of the country. In alignment

with BoP literature which does not address key activities directly, but rather focuses on how they must be arranged in order to answer the unique and challenging conditions in BoP markets, respondents said that despite the core activities conducted in South Africa being the same as in traditional markets, they must be aware of the unique local environment. Respondents referred to other building blocks, mirroring the BoP literature which for instance accentuates the importance of strengthening value chain activities with key partnerships (Jagtap et al. 2013). Most often, interviewees linked their response to key partner activities and South African bureaucratic obstacles which must be incorporated into key activities (Jagtap et al. 2013). In alignment with BoP literature, the research information gathered about key activities shows that they are incorporated into other building blocks.

4.2.3 South African Specific Empirical Findings

No South African specific findings were uncovered during the research process.

4.3 Key Resources

4.3.1 Unconfirmed BoP Literature

Literature highlights constraints regarding the availability of resources such as high-quality raw material production, financial resource and production resource in BoP markets, but this claim is unconfirmed by the conducted research (London, Anupindi and Sheth 2010).

4.3.2 Confirmed BoP Literature

Most respondents (B, E, F, G, H) use few tangible resources as they provide services to their clients and as such generate minimal waste by rarely printing, recycling frequently and sharing office space, a finding which reflects BoP literature's call for sustainable and ecofriendly behavior in the market (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002).

Others (A, C, D) provide their key partners with a sustainable product often associated with positive spillover effects. Company A utilizes solar energy which responds to the BoP literature focus on the sustainable use of renewable resources near the actual point of use, which can regenerate naturally and substitute non-

renewable resources (Chopra and Narayana 2012; Hart and Christensen 2002). Company C which supplies the South African market with power supply, also falls into this category.

Concluding, all investigated firms have applied sustainable and ecofriendly solutions for operating in South Africa, a BoP research finding considered essential for entering the marketplace. All in all, investigated firms use both local tangible and intangible resources (Prahalad and Hart 2002; Hart 2010).

4.3.3 South African Specific Empirical Findings

Empirical research shows that none of the research subjects face problems with acquiring the physical resources needed for their South African operations. In South Africa key resources, as most building blocks, are controlled and conducted according to post-apartheid legislation. The South African legislation ensures that firms are measured by for example how much local resources they use or how many local people are employed. Clearly, the sustainability element is anchored by the South African government in all aspects of a firm's business operations.

As mentioned before, firms handle the South African requirement to involve locals throughout their processes differently. While some firms chose to employ South African employees, others have chosen to just operate with key partners.

The investigated companies show strong differences in their employee composition. While B2G operations develop a local firm presence with South African employees and other key partners, B2B focused firms operate in a consultancy like manner with no more than three employees. This relates to the BoP claim that entrepreneurs can better answer to BoP conditions (Mohr, Sengupta and Slater 2012). MNCs manage this aspect by having their parent company in Norway and employing one or just a few resource-rich persons in South Africa. Interviewees state that they work like startups with a virtual corporation behind them. One respondent (H) described business operations as "working like a franchiser, without franchising." These companies have substituted employees with key partners who they depend on to conduct their business and deliver value proposition. Research indicates that some respondents (B, D, F) who work for MNCs as entrepreneurial consultants, have begun to face

challenges in regards to limited human resources. These individuals said that though their pipelines are increasing, the companies they are employed by are not providing additional resources and as a result they are unable to meet the demand of their work.

Other companies (A, G, H) have met the foreign conditions in South Africa by establishing firms with employees and investing heavily in education and training to overcome the resource gap. The firms are setup with a few Norwegians with key qualifications together with local, often black South Africans. Interestingly, analysis shows that MNCs who choose to establish a proper company with employees in South Africa are all based on B2G operations. Training provides these employees with the necessary information about a product or service to better sell, produce or represent it. Companies mainly train employees to suit their needs, but some (E, G) choose to utilize employee agencies or to acquire companies with advanced skill levels. These MNCs avoid investing in human resources which are not guaranteed to remain loyal to the firm and may end up with or as competitors. To meet the market's resource challenge, respondents purchase companies with competent employees, solid market positions and positive profit projections. This approach is naturally less sustainable for the development of South Africa's workforce. Concluding, key resources appear to require a lot of attention from both B2G and B2B cooperation.

4.4 Value Proposition

4.4.1 Unconfirmed BoP Literature

No BoP literature is unconfirmed by the South African empirical research findings.

4.4.2 Confirmed BoP Literature

The interview research process reveals that the challenges and opportunities value propositions present Norwegian MNCs operating in the South African market, overall reflect those which BoP literature identifies and discusses.

Firms who wish to enter the South African BoP must match their proposition to what consumers consider of value and interest by focusing on shared value, both economic and social (Ramani et al. 2012; Egan and Ovanessooff 2011; Esposito, Kapoor and Goyal 2012; Porter and Kramer 2011). All Norwegian MNCs

surveyed chose their value proposition in accordance with market and consumer needs confirming the PESTEL-analysis results that indicates a lack of essential products and services related to energy, transportation, water, materials and financial services in South Africa (Appendix 7.2). Company A, for example builds their business around solar energy, a plentiful natural resource which meets the market's electricity shortage, while Company H delivers much needed education which improves the skill and knowledge level of the population.

Value proposition in South Africa is challenging as it is defined and understood differently. The majority of research findings (B, C, D, E, F, H), with one exception (A), revealed that justifying and explaining their price point is a major challenge for business operation. As such, providing high quality products or services, claimed in both literature and empirical research, is of the utmost importance (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002). Furthermore, firms must demonstrate and prove this quality through an educational process as stated by Prahalad (2012).

The overarching empirical findings confirm the BoP claim which states that firms must engage market players in multiple and innovative ways while building local capacity and embeddedness (Dahan et al. 2010; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Nidumolu, Prahalad and Rangaswami 2009; Prahalad 2012; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013; Hart and London 2005). The main manner by which Norwegian MNCs capture revenue and deliver products and services is through partners and an element of sustainability (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002; Dahan et al. 2010). As the focus of MNCs' value proposition has its foundation in partnerships and sustainability, both of which are essential enough to constitute their own separate building blocks, this analysis is further expanded upon in 4.1 and 4.10 respectively.

Just as BoP literature suggests, Norwegian MNCs tackle the imbalance in value perception by either applying an educational approach or by lowering their price point (Prahalad 2012). These findings reflect two of Prahalad's (2012) 4As which

focus on creating awareness and ensuring affordability. Company C, for example, helps their customer, a government agency, improve and distribute energy quality and precision by teaching them the value and relevance of their product which protects against electricity line theft, while other firms (B, D, E, H) strategically adopt their price point to the South African market.

Many conversations (A, B, D, F) brought up the importance of scaling a business' value proposition. Being able to scale and transport a value proposition across countries, cultures and languages presents great potential for MNCs operating in BoP segments. The importance of scalability is reflected by its inclusion in the building blocks of customer segment (4.7) and cost structure (4.8) which continue the discussion and expanded upon its analysis.

4.4.3 South African Specific Empirical Research Findings

While value and success in BoP literature is defined and measured in Internal Rate of Return (IRR) and other financial numbers, South African firms are measured in accordance with the Local Economic Development (LED) legislation. This unique and important characteristic of the South African BoP market is further expanded upon in the sustainability analysis in 4.10.

4.5 Customer Relationships

4.5.1 Unconfirmed BoP Literature

The main literature finding regarding the unpredictable nature of the BoP customer profile is not reflected in the empirical research, due to MNCs cooperating on basis of B2B and B2G. Literature claims that the fluctuating and irregular income, minimal savings, language and literacy diversities, limited mobility, frugal purchasing attitudes, low population density across geography and the lack of government and legislative support present barriers to entry (Esposito, Kapoor and Goyal 2012).

4.5.2. Confirmed BoP Literature

BoP literature which states that it is necessary to create functional and mutually beneficial relationships in the BoP market segment is reinforced by empirical findings (Esposito, Kapoor and Goyal 2012). Due to the dynamics in BoP markets, both research findings and literature agree that firms must adopt an

inclusive approach which engages the local community (Esposito, Kapoor and Goyal 2012; Reficco and Márquez 2012).

Results from the empirical study and BoP literature indicate that detailed planning and management is required in order to effectively and successfully build customer relationships (Chikweche and Fletcher 2013). Research shows that all firms develop and advance their customer relationships through awareness (Esposito, Kapoor and Goyal 2012; Prahalad 2012). Norwegian MNCs create awareness and prove the worth of their product through test projects, demonstrations and trials while educating about value simultaneously solidifies customer relationships. As Prahalad (2012) states, awareness of a product or service is providing information about what and how to use it while preventing myths and misunderstandings. Prahalad's (2012) other As (access, affordable, available) are discussed and analyzed in the channels (4.6) and cost structure (4.8) building blocks.

4.5.3 South African Specific Empirical Research Findings

The strongest differences between BoP literature and empirical findings can be found within the customer relationship building block due to the composition of the researched firms. The approach of Norwegian MNCs in South Africa can be summarized in two ways: B2B and B2G.

Norwegian MNCs avoid facing the most challenging aspect of BoP markets, serving consumers with low and irregular income, by not operating on a B2C basis. In doing so, they relate the BoP customer indirectly, while the financial returns are gained through their local key partners or the government.

Additionally, research highlights that Norwegian MNCs operating in South Africa consider being physically present and match the local business culture in South Africa as essential for managing customer relationships and building trust. To keep relationships operating smoothly research revealed that it is important to commit to face time and to keep up with the pace of local business operations, which means working faster and more efficiently than what is common in Norway.

4.6 Channels

4.6.1 Unconfirmed BoP Literature

Two key findings from BoP literature on channels were not reflected in the empirical research results. The main one is the BoP literature claim that distribution and communication channels are a major barrier to entry of BoP markets, research shows that infrastructure in South Africa has proven to be of good quality (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani, Kubzansky and Lalwani 2011; Ireland 2008). Literature states that BoP channels are commonly less developed, non-existent, mired by weak supporting infrastructure and lack investment to maintain and develop (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Chikweche and Fletcher 2012; Karamchandani, Kubzansky and Lalwani 2011). The literature focus on developing new communication, distribution and sales channels or innovating within the network and infrastructure already present, are as a result not necessary considerations (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani, Kubzansky and Lalwani 2011; Ireland 2008; Chikweche and Fletcher 2012; Mahajan and Banga 2005; Viswanathan 2007; London and Hart 2004).

A second literature finding (Karamchandani, Kubzansky and Lalwani 2011; Nakata and Weidner 2012) not reflected in the research is that BoP consumers are scattered and fragmented and geography and topography is often immense and varied. To solve this, literature indicated that a mix of formal and informal distribution channels is needed in BoP markets, however this was not brought forth during interview conversations (Rubesch 2005; Chikweche and Fletcher 2012). Further Nakata and Weidner (2012) suggest atomized distribution, the arrangement of channels so products and services are brought as close to customers as possible, is necessary. This is also a point of differentiation from the experience of Norwegian MNCs operating in South Africa. Prahalad's (2012) BoP claim which focuses on accessibility and availability is not required in South Africa because channels do not present an issue.

4.6.2 Confirmed BoP Literature

Despite channels not presenting an overall challenge in South Africa, the need to combine above and below the line communication activity highlighted in literature was confirmed by research (Chikweche and Fletcher 2012; Anderson

and Markides 2007). Candidates (A, B, D, F, E) shared that they rely on various tools such as word of mouth, face-to-face, e-mail, telephone and networking events to communicate with the South African BoP.

4.6.3 South African Specific Empirical Research Findings

While literature indicates that lacking and outdated channels are a major barrier to BoP entry, the review of South Africa revealed that the market is equipped with a functioning level of infrastructure (Prahalad 2006; Karamchandani, Kubzansky and Lalwani 2011; Nakata and Weidner 2012). Interestingly interview candidates' perception of South African channels prior to entering the market, align with BoP literature on that channels present a massive challenge.

This point of differentiation can be explained by the fact that MNCs (B, E, F, G, H) operate predominantly in urban areas. Furthermore, firms who operate in rural areas do so in B2G partnerships and as such are able to take advantage of their knowledge, understanding and access to channels.

4.7 Customer Segment

4.7.1 Unconfirmed BoP Literature

The literature call for not considering the BoP as one single emerging mass market and for segmenting customers is not an essential consideration for operating in South Africa, as the Norwegian firms interviewed work in either B2G or B2B operations, (Sehgal et al. 2010; Egan and Ovanessoff 2011). Hence, the BoP requirement to identify and segment customers on the basis of behavioral and need characteristics, does not apply to the interviewed MNCs (Egan and Ovanessoff 2011).

4.7.2 Confirmed BoP Literature

Research revealed that none of the Norwegian MNCs surveyed operate in B2C markets and as such there exists little alignment between interview findings and literature review. In accordance with BoP literature some firms (A, B, D) incorporate scalability both domestically and across borders into their South African operations (Prahalad and Hart 2002; Egan and Ovanessoff 2011; Dolfsma, Duysters and Costa 2009).

4.7.3 South African Specific Empirical Research Findings

Rather than serving BoP costumers directly, companies receive their revenues through their stakeholders, key partners or the government. This means that investigated firms' customers lie within their key partners. As a result, firms do not need to segment their customers. Due to B2B or B2G operations, empirical research shows that customers are neither hard to identify nor approach in the market place. Furthermore, the existence of few potential customers to collaborate with, particularly in the B2G segment, means that building and managing these relationships is particularly essential.

4.8 Cost Structure

4.8.1 Unconfirmed BoP Literature

As all of the investigated companies respond to the high quality requirement of the BoP literature, none of them offers disruptive innovations in form of simpler versions of product or service as a solution to the cost challenge (Hart 2010). Further, as the investigated firms operate in the B2B and B2G business realms, the irregular consumer income which Anderson and Billou (2007) warn against is not an issue firms need to be considerate of in their South African operations.

4.8.2 Confirmed BoP Literature

In alignment with the BoP literature claims of Prahalad (2012), companies (B, D, E, H) have adopted their cost structure to South African conditions by trading their customary price-performance relationship in for new innovative price models. In these cases firms adopt their price to their key partners' level and offer affordable prices and rates. Respondents reinforced that low margins are compensated with high volume as suggested by BoP proponent Hart (2010).

In alignment with BoP literature respondents highlight that compromising on quality is not a solution (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002). Rather, quality is seen as the solution to the problem. By focusing on quality, the value people perceive is greater, allowing slightly higher prices. The quality message spreads often grassroots by word of mouth which is often enough for broad commercial communication in South Africa. This in turn increases sales or business transactions and leads to an improved and efficient cost structure.

Reinforced by several companies (A, B, D) is the fact that solutions offered in BoP markets need to respect the concept of scalability across countries, cultures and different languages for ease of adopting for similar BoP markets (Prahalad and Hart 2002; Dolfsma, Duysters and Costa 2009; Prahalad and Hart 2002; Egan and Ovanessoff 2011).

4.8.3 South African Specific Empirical Research Findings

Some firms (A, C, F) do not adopt their costs to the South African market at all. One explanation can be found in the fact that investigated firms operate with other firms and government organizations rather than with B2C segments.

4.9 Revenue Stream

4.9.1 Unconfirmed BoP Literature

Literature claims that the revenue stream building block presents one of the greatest challenges in the BoP market (Linna and Richter 2011). This is not confirmed by research and can be explained by B2B and B2G segment operations which set up and guarantees secure revenue streams.

4.9.2 Confirmed BoP Literature

Literature states that firms operating at the BoP must combine an element of social welfare with a traditional revenue generating approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012). Despite the intention of Norwegian MNCs, this is true for the South African reality as legislation forces firms operating in the market place to abide by a variety of criteria relating to sustainability. The South African specific legislation and its implications for MNCs operating in its context are further expanded upon in the sustainability analysis found in 4.10.

4.9.3 South African Specific Empirical Research Findings

Despite the literature claim that revenue stream is one of the most challenging building blocks in BoP markets, Norwegian firms operating in South Africa do not share this point of view (Linna and Richter 2011). South Africa presents great revenue stream opportunities as there are many unmet and underserved needs, however empirical research revealed that the liquidity and financial standings of partners is an issue (Sehgal et al. 2010; Egan and Ovanessoff 2011). Some firms (C) solve this challenge by requiring a letter of credit and proof of capital through

an official and trusted organization and others (A) handle it by calculating revenue streams during the project development phase and not initiating projects that do not prove profitable.

B2B cooperation is financially more dependent on their key partners. It seems that firms are constantly afraid of losing their partners to competitors. Additionally, they have to estimate revenue streams with less certainty and are financially dependent on their key partners. Additionally, firms insist on payments upfront in order to guard themselves against any financial troubles down the line. As a result, B2B focused MNCs need to determine the amount of risk they are willing to take on in regards to the uncertainties surrounding revenue streams.

4.10 Sustainability

4.10.1 Unconfirmed BoP Literature

Although literature question the positive spillover effects of MNCs operating in BoP markets and history indicates that private sector firms tend to be more damaging than beneficial, the case studies show that MNCs incorporate sustainability into their operations, purposefully or not (Hart 2010; Erick, Hart and Duke 2008; Gordon 2008). In BoP literature the concept of sustainability is claimed to be full of questionable assumptions as it fails to provide clear directions on how to realize and measure the triple bottom line (Jänicke 2012; London, Anupindi and Sheth 2010). Concluding, this literature claim is unconfirmed by the empirical research findings.

4.10.2 Confirmed BoP Literature

Both social and environmental sustainable growth at the BoP is claimed to be essential by multiple BoP authorities (Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Prahalad and Hart 2002). Empirical research revealed in alignment that environmental and social sustainability is a requirement in South Africa, enforced through the legislation of the South African government.

4.10.3 South African Specific Empirical Research Findings

South Africans have a natural and inherent awareness and attitude towards the environment which translates to their business culture. Legislation encompasses

goals within renewable energy, positive environmental impact, local economic impact as well as environmental and social sustainability through the Broad-Based Black Economic Empowerment Act (B-BBEEA). Firms operating in South Africa are rated according to a Scorecard of seven pillars which determines their level of sustainability. Any company that conducts business in South Africa with other companies or the government needs a scorecard. Firms operating in the South African market are annually reviewed and rated from one to seven, where one is the best result.

The conducted interviews revealed that the B-BBEEA, has the strongest consequences for their business operations. Interestingly in the light of this research, in order to be allowed to work on governmental projects a firm must possess a level 4 or lower. Surprisingly, companies with a turnover of R5 million or less per annum are exempt from BEE and are automatically classified as a level four. However, interviews revealed that also smaller firms are interested in a good score and reputation in order to win reliable key partners.

4.11 Market Environment

4.11.1 Unconfirmed BoP Literature

Although BoP literature emphasize strongly the need for market-building activities at the BoP none of the MNCs invest in them (Rivera-Santos and Rufin 2010; Esposito, Kapoor and Goyal 2013). Rather MNCs have managed to find ways to overcome these barriers like for instance operating with local key partners.

Weak institutional environments are claimed by Reficco and Márquez (2012) to be the main challenge in the BoP markets due to the institutional gaps which hamper economic value creation by increasing the cost of doing business, research paints a different picture. Norwegian firms investigated through case studies do not face this problem. BoP authors state that consequences of these gaps are extensive as regulations and laws are replaced with strong traditional ties within communities (London and Hart 2004). This finding however does not apply to the firms operating in South Africa due to the markets' enormous body of laws and regulations.

Despite literature questioning the BoP's profit potential, this claim is not confirmed by empirical research (London, Hart and Barney 2011; Rivera-Santos and Rufin 2010; Karnani 2007).

4.11.2 Confirmed BoP Literature

Research shows that many business relations are formed informally in South Africa and most respondents indicated that in relation to these informal relations, they have experienced unethical behavior in the sense of bribes, kickbacks and contracts. This underlines the findings of Rivera-Santos, Rufin and Kolk (2012) which say that firms must pay extra attention to corrupt systems due to the utilization of both formal and informal institutions and mechanisms, essential in BoP initiatives. Respondents mainly handle this challenge by refusing compromise on ethics or integrity and by always insisting on formalities when conducting business. The fact that contracts are seldom sufficient in developing contexts stated by Chesbrough et al. (2006) is additionally reinforced by the firms experiencing that contractual requirements were not upheld. Clearly, this forces a mind shift of the investigated MNCs, a literature claim considered essential when entering partnerships in the BoP (Rivera-Santos and Rufin 2010; Hart 2010; Prahalad 2012).

4.11.3 South African Specific Empirical Research Findings

South Africa has developed into a highly competitive market both in terms of local and international actors. Large international conglomerates eliminate competition by acquiring smaller companies and shelving their technology in order to continue to offer their own, less evolved product or service. For instance, it became clear that interviewees fear companies from China, which have become the main competitors in the marketplace. The market's competitive nature means one must take precautionary measures to prevent trademark and copy infringements.

Research brought to light that negotiations in South Africa are characterized by a more straightforward and slightly aggressive North American nature. This is another market condition firms must take into considerations. These discoveries seem logical as South Africa, despite its large BoP segment, is a middle-income, emerging market. Compared to other countries with BoP segments, the South African BoP size and advanced standards appeal to international firms.

Further, interviewees reflected on South Africa as a market with high pressure and high work pace. This appears dependent on the respective industry and value proposition, as some respondents stated that they have few competitors.

Though, the business potential for MNCs in BoP segments has been questioned by proponents and opponents of the BoP theory and the debate of who should operate at the BoP continues, the empirical research illustrates that the companies studied see great potential in the South African BoP market (London, Hart and Barney 2011; Rivera-Santos and Rufin 2010; Karnani 2007). As several MNCs operate with only few or a single employee in South Africa, they face serious problems meeting the demand of the unsaturated market. Interviewees shared that there are many opportunities in B2G operations as the South African government invests greatly in energy and infrastructure. B2B operations also present potential as there are grand market needs which are yet to be met. B2B focused operations however have to fight harder to protect their market position.

Research also uncovered, the challenge which poor ratings and lack of legitimacy of African banks present. Companies that experienced issues in this regard, take precautionary measures by for example using the western banks of their home countries to meet this challenge.

4.12 Summary

The table below summarizes the former discussion:

Building Block	ToP Literature	SA Unconfirmed BoP Literature	SA Confirmed BoP Literature	SA Specific Empirical Findings	SA Specific B2B	SA Specific B2G
Key Partners	<ul style="list-style-type: none"> Cooperate with suppliers to meet customer's quality, flexibility and cost requirements (Black, Akintoye and Fitzgerald 2000) Benefits include higher margins, lower costs, better value propositions for customers, larger market share, quality improvements, design-cycle time reductions and increased operating flexibility (Lewis 1995) Prevents transaction costs (Coase 1937; Williamson 1975; Dussauge, Garrette and Prahalad 1999) Can uncover new markets for companies and reduce language, legal and cultural barriers (Zain and Ng 2006) Coordinate necessary skills and resources, shares risks and gives competitive edge (Dussauge, Garrette and Prahalad 1999) Save on R&D costs, enhance organizational learning and foster innovation (Feller et al. 2013; MacBeth and Ferguson 1994) Create mutual trust, effective communication (Black, Akintoye and Fitzgerald 2000) 	<ul style="list-style-type: none"> Cross-sector partnerships to access resources such as capital, managerial expertise and technology (Anderson and Markides 2007; Rivera-Santos and Rufin 2010; Wheeler et al. 2005; Sanchez and Ricart 2010) Typology of BoP approaches not confirmed (Mohr, Sengupta and Slater 2012) Partner with governments for financial aid (Seelos and Mair 2007; Simanis and Hart 2008) NGOs can play a role in raising, training and developing funds and adapting business models (Chesbrough et al. 2006) Civil society partners can help meet customer needs and support firms in responding to market conditions. Governmental organizations support firms to respond to institutional environment (Schuster and Holtbrügge 2013) 	<ul style="list-style-type: none"> Producer-oriented approach (Karnani 2007) Cannot capture BoP potential without partners. Innovation within the ecosystem essential. Main gaps at BoP markets should be substituted within interactive networks and relationships to share assets, resources and capabilities (Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) Inclusive business models requiring long-time working relationships and demand education, empowerment and skill transfer (Reficco and Márquez 2012) Build mutual trust, interest and commitment (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008; Reficco and Márquez 2012) Four phases: Not linear, elements of changes and feedback loops (Simanis and Hart 2008) 	<ul style="list-style-type: none"> Standards taken for granted in Norway cannot be expected in South Africa Educational approach of their key partners is a key success factor Must prove through demonstrations and quality testing that a product/service is of value Identifying right partners during early planning phases Cooperate in an inclusive network Develop mutual understanding Specification of roles and responsibilities Physical presence Overcoming inertia Fear of copying 	<ul style="list-style-type: none"> Even greater value as employees have been substituted by key partners Choose key partners who compliment them Complex partnerships due to fact that all partners have own agenda Firms do not give exclusivity Variety of partnerships 	<ul style="list-style-type: none"> N/A

<p>Key Activities</p>	<ul style="list-style-type: none"> Should be analyzed against the value chain, value shop and value network (Stabell and Fjeldstad 1998; Dess et al 2008; Porter 1985) Distinguishes between primary activities and support activities. Activities depend on industry (Porter 1985) 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Key activities focus on serving domestic markets (Caves 2007) Must be arranged in order to answer to unique and challenging conditions (Jagtap et al. 2013) Key activities reflected in all other building blocks (Jagtap et al. 2013) 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A
<p>Key Resources</p>	<ul style="list-style-type: none"> Assets such as the people, technology, products, facilities, equipment, channels, and brand required to deliver the value proposition for customers (Johnson, Christensen, and Kagermann 2008) Need to be evaluated in terms of how valuable, rare and hard to imitate or duplicate for competitor (Dess, Lumpkin and Eisner 2008) Separates into tangible and intangible assets and organizational capabilities (Dess, Lumpkin and Eisner 2008) 	<ul style="list-style-type: none"> Constraints in acquiring key resources (London, Anupindi and Sheth 2010) 	<ul style="list-style-type: none"> Sustainable and ecofriendly solutions essential (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) Important to focus on limiting, reducing and recycling (Prahalad and Hart 2002; Hart 2010) Use of local, tangible and intangible resources (Prahalad and Hart 2002; Hart 2010) Use renewable resources that can regenerate naturally and substitute non-renewable resources (Chopra and Narayana 2012; Bardi and Massaro 2013; Hart and Christensen 2002) 	<ul style="list-style-type: none"> Controlled and conducted according to post-apartheid Human Resource challenge: employ South African employees or operate with key partners as entrepreneurial consultants or “negotiators” Entrepreneurial approach faces challenges regarding limited human resources Educate human resources if necessary or acquire new companies and their resources 	<ul style="list-style-type: none"> Substitute employees with key partners Employ just a few resource rich individuals Lack of human resources is challenging Virtual cooperation backing 	<ul style="list-style-type: none"> Firm has market presence with employees Education and training essential
<p>Value Proposition</p>	<ul style="list-style-type: none"> Synthesizing a way to create value with resources, competences and internal/external organization (Demil and Lecocq 2010) All other building blocks are set in motion to produce a proposition that generates value for consumers and the organization (Demil and Lecocq 2010) The importance of value is rooted in the influence that customer value perceptions have on customers’ attitudinal 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Proposition must match consumer’s perception of need for value (Ramani et al. 2012; Egan and Ovanessoff 2011) High quality product or service vital (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) Demonstrate and prove quality through education (Prahalad 2012) Focusing on shared value, both economic and social (Esposito, Kapoor and Goyal 2012, Porter and Kramer 2011) 	<ul style="list-style-type: none"> Difficulty to define and measure value and success Value associated with being ‘economically viable’ according to legislation 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A

Customer Relationship	<p>loyalty and repurchase behavior and thereby on paybacks for firms (Gummerus 2013)</p> <ul style="list-style-type: none"> Competing conceptualizations and lack of consensus for definition, dimensions and measurements (Leszinski and Marn 1997; Sanchez-Fernandez and Iniesta-Bonillo 2007; Gummerus 2013) 		<ul style="list-style-type: none"> Capture revenue by engaging the market segment (Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart 2010;; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) Build local capacity and embeddedness (Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart and London 2005) Innovate proposition with sustainability (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) Collaborate with non-traditional partners (Dahan et al. 2010; Esposito, Kapoor and Goyal 2012) Awareness and affordability (Prahalad 2012) 			
	<ul style="list-style-type: none"> Requires and deserves a great attention (Chan, Ip and Cho 2010) Anticipate customer needs with the right product at the right time, in the right place (Yourdon 2000) Cost of acquiring new customers is higher than retaining existing ones (Dyche 2002) Retention and loyalty enhance market share and business position (Chan, Ip and Cho 2010) 	<ul style="list-style-type: none"> Unpredictable customer profile: fluctuating and irregular income, minimal savings, language diversities, varying literacy levels, limited mobility, frugal purchasing attitudes, low population density across geography, lack of government and legislative support and scarcity of data available (Esposito, Kapoor and Goyal 2012) 	<ul style="list-style-type: none"> Keep reputation as clean, ethical and of value (Esposito et al.) Detailed planning and management required for effective and successful relationship building (Chikweche and Fletcher 2013) Inclusive approach to engage local population (Esposito, Kapoor and Goyal 2012; Reficco and Márquez 2012) Trust and transparency are essential (Esposito, Kapoor and Goyal 2012; Prahalad 2012) Awareness necessary (Esposito, Kapoor and Goyal 2012; Prahalad 2012) 	<ul style="list-style-type: none"> No direct customers, rather stakeholders Being physically present is essential Speed and nature of business operations must be matched Work faster and more efficiently than in Norway 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A

<p>Channels</p>	<ul style="list-style-type: none"> • Important part of core business (Zook and Allen 2010) • Main task and challenge companies face (Zook and Allen 2010) • Change with time so important to keep abreast with developments and trends (Zook and Allen 2010) 	<ul style="list-style-type: none"> • Major barrier to entry (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani et al. 2011; Ireland 2008) • Less developed, non-existent, weak supporting infrastructure and lack investment to maintain and develop (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Chikweche and Fletcher 2012; Karamchandani et al. 2011; Prahalad 2006; Nakata and Weidner 2012) • Consumers are scattered and fragmented; geography and topography immense and varied (Karamchandani et al. 2011; Nakata and Weidner 2012) • Develop new channels or innovate within the network and infrastructure present and available (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani et al. 2011; Ireland 2008; Chikweche and Fletcher 2012; London and Hart 2004) • Mix formal and informal distribution channels (Rubesch 2005; Chikweche and Fletcher 2012) • Atomized distribution (Nakata and Weidner 2012) 	<ul style="list-style-type: none"> • Mix above and below line communication channels (Chikweche and Fletcher 2012; Anderson and Markides 2007) 	<ul style="list-style-type: none"> • Functioning level of infrastructure not an issue 	<ul style="list-style-type: none"> • Operate in urban areas 	<ul style="list-style-type: none"> • Operate in rural and urban areas
<p>Customer Segment</p>	<ul style="list-style-type: none"> • Customers, along with products, capabilities, channels and geographies, belong to the core business (Zook and Allen 2010) • Loyalty may be built in an existing customer segment or by identifying or creating, a new segment (Zook and Allen 2010) • Favorable quality to price 	<ul style="list-style-type: none"> • Do not view the BoP as one single emerging mass market (Sehgal et al. 2010; Egan and Ovanessoff 2011) • Identify and segment customers on the basis of behavioral and need characteristics (Egan and Ovanessoff 2011) 	<ul style="list-style-type: none"> • Cross-country approach (Egan and Ovanessoff 2011) • Segment in a scalable and transportable manner across countries, cultures and languages (Prabalad and Hart 2002; Egan and Ovanessoff 2011; Dolfisma, Duysters and Costa 2009) 	<ul style="list-style-type: none"> • Customers are not hard to identify or approach • Serve customers indirectly 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Few potential customers to collaborate with

<p>Cost Structure</p>	<p>position in order to successfully target segment and to compete within segment (Hedman and Kalling 2003)</p> <ul style="list-style-type: none"> • Provide customer-perceived quality product or service (Hedman and Kalling 2003) • Firms must segment their target (Cespedes et al. 2013; Browne et al. 2013) 	<ul style="list-style-type: none"> • A core element of a business model (Linder and Cantrell 2000; Markides 1999; Chesbrough and Rosenbaum 2000; Dubosson-Torbay et al. 2001) • Direct costs, indirect costs and economies of scale (Johnson, Christensen and Kagermann 2008) • Low-cost and differentiation strategies (Porter 1991) 	<ul style="list-style-type: none"> • Solution for the cost problem lies in disruptive innovations (Hart 2010) • Irregular and low income not an issue (Anderson and Billou 2007) 	<ul style="list-style-type: none"> • Calculate with low margins, compensate with high volume (Hart 2010) • Changes in the customary price-performance relationship by innovative price models (Prahalad 2012) • Scalability of products across countries, cultures and different languages (Dolfsma, Duysters and Costa 2009; Prahalad and Hart 2002; Egan and Ovanessoff 2011) • High quality product/service (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) 	<ul style="list-style-type: none"> • Some do not adopted in terms of cost for the South African market • Lack of need for price reduction due to South Africa's high economic growth • Investigated firms operate with other firms or government organizations, not B2C segments 	<ul style="list-style-type: none"> • N/A • N/A
<p>Revenue Stream</p>	<ul style="list-style-type: none"> • Business model synthesizes a way to create value in the firm; in essence how an organization functions and creates revenue (Demil and Lecocq 2010) • Pricing mechanisms to improve revenue maximization. (Osterwalder 2004) • The power has been and is slowly shifting from the customer being a price taker to being a price maker (Pitt, Berthon and Berthon 1999) 	<ul style="list-style-type: none"> • One of the greatest challenges (Linna and Richter 2011) 	<ul style="list-style-type: none"> • Align profit pursuit with poverty relief and empowerment (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) • Hybrid business model approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) • Combine social welfare with traditional revenue generating approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) 	<ul style="list-style-type: none"> • Not a major challenge in South Africa BoP • Great opportunities due to many unmet and underserved needs • High volume philosophy 	<ul style="list-style-type: none"> • B2B more dependent on key partners • Estimate revenue stream with more insecurity and risk • Insist on payments upfront • Liquidity and financial standings of partners is an issue • assess risk • requiring a letter of credit and proof 	<ul style="list-style-type: none"> • N/A
<p>Sustainability</p>	<ul style="list-style-type: none"> • Triple Bottom Line (Norman and 	<ul style="list-style-type: none"> • Benefits of BoP segment 	<ul style="list-style-type: none"> • Sustainable social and 	<ul style="list-style-type: none"> • Legislation encompasses 	<ul style="list-style-type: none"> • Scorecard rating 	<ul style="list-style-type: none"> • Need

Market Environment	<ul style="list-style-type: none"> MacDonald 2004; Dess, Lumpkin and Eisner 2008) Social responsibility expresses that businesses or individuals strive to improve the overall welfare of society (Dess, Lumpkin and Eisner 2008) Strong positive relationship between corporate social responsibility behaviors and consumers' reaction to a firm's products and service (Dess, Lumpkin and Eisner 2008) 	<ul style="list-style-type: none"> questionable Majority of private sector companies operating at BoP are more damaging than helpful (Hart 2010; Simanis, Hart and Duke 2008; Gordon 2008) Literature lack on how to realize and measure sustainable approaches (Jänicke 2012; London, Anupindi and Sheth 2010) 	<ul style="list-style-type: none"> environmental growth essential (Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Nidumolu, Prahalad and Rangaswami 2009; Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Prahalad and Hart 2002) 	<ul style="list-style-type: none"> sustainability requirements Scorecard of seven pillars rates companies All firms are interested in high score and good reputation Bureaucratic elements pose challenges to firms and operations 	<ul style="list-style-type: none"> from one to seven Turnover of R5 million or less per annum: Exempt from BEE 	<ul style="list-style-type: none"> scorecard rating of one to four
	<ul style="list-style-type: none"> Porter's five forces determine the competitive intensity and attractiveness of a market (Porter 2008) External and internal sources of competition divided into: the threat of substitute products/services, of established rivals, of new entrants and the bargaining power of suppliers and customers (Porter 2008) SWOT analysis identifies key internal and external factors and is divided into: internal strengths and weaknesses and external factors opportunities and threats (Humphrey 2005) PESTEL identifies the external forces affecting an organization and includes the Political, Economical, Social and Technological, Environmental environment (Yüksel 2012) 	<ul style="list-style-type: none"> Weak institutional environments hinder businesses from undertaking ventures as institutional gaps hamper economic value creation (Reficco and Márquez 2012) Regulations and laws are replaced with strong traditional community ties (London and Hart 2004) Local plays more important role especially when embedded in the informal environment and linked to local powers (Rivera-Santos and Rufin 2010) Due to the lack of market intermediaries, market-building activities are needed (Rufin and Rivera-Santos 2010; Kapoor and Goyal 2013) BoP questioned as a profitable market (London, Hart and Barney 2011; Rivera-Santos and Rufin 2010; Karnani 2007) 	<ul style="list-style-type: none"> Contracts are seldom sufficient in developing contexts, political systems are slow to act and sometimes corrupt (Chesbrough et al. 2006) Utilization of both formal and informal institutions and mechanisms are essential. Firms must pay more attention to corruption (Rivera-Santos, Rufin and Kolk 2012) Mind shift of MNCs essential (Rivera-Santos and Rufin 2010; Hart 2010; Prahalad 2012) 	<ul style="list-style-type: none"> Highly competitive market, both in terms of local and international actors International firms eliminate competition by acquiring smaller companies and shelving technology Precautionary measures needed to prevent trademark and copy infringements. Negotiations characterized by a more straightforward and slightly aggressive nature. High market pressure and high work pace. Great potential in the unsaturated market with opportunities in B2B and B2G Poor ratings and lack of legitimacy of banks may be an issue 	<ul style="list-style-type: none"> Must fight hard to protect market position Market opportunities due to unsaturated market needs 	<ul style="list-style-type: none"> Market opportunities due to government investment

Table 2: Summary Of Empirical Analysis

5 The South African BoP Business Model Canvas

Through a comparative study of ToP and BoP market literature along with South African empirical research, the necessary alterations needed to tailor Osterwalder and Pigneur's (2010) BMC to suit the South African BoP market have been discovered. The analysis of eleven business model building blocks in relation to ToP, BoP and case study findings, have revealed the manner by which the original BMC should be adopted to suit the South African BoP. Literature findings that do not correlate with South African specific results are deemed irrelevant and as such will be disregarded in the development of a South African BoP Business Model Canvas. In relation to the summarizing table in Chapter 4, this means that the columns 'ToP Literature', 'Confirmed BoP Literature' and 'South Africa Specific Empirical Findings' will be contrasted to determine which elements are needed for the creation of the new Canvas while the column 'Unconfirmed BoP Literature' will not be applied.

The following discussion reflects these key findings and involves a three step approach. Firstly, Osterwalder and Pigneur's (2010) building blocks which are deemed essential for operating in the South African markets are identified and incorporated into the new framework. Secondly, building blocks found to be of less value will be absorbed into other blocks or eliminated completely. Thirdly, new building blocks discovered to be necessary for operating in the South African BoP will be developed. The final result will be a South African BoP specific Business Model Canvas.

5.1 Eliminated And Merged Building Blocks

The South African BoP Business Model Canvas, unlike Osterwalder and Pigneur's (2010) ToP framework, must reflect only what is essential for its specific purpose. As such, building blocks housed in the original Canvas may be incorporated into other blocks or eliminated entirely. This does not indicate that the removed blocks are unimportant but rather brings to light which elements are essential for operating in the South African BoP context. It is recommended that the deleted blocks are kept in mind for operations but that they do not become the main focus of firms.

The elimination of the building block channel from the new Canvas illustrates the logic behind this. Its removal does not mean that companies do not have to

consider their channels, but it does mean that this building block in the South African BoP context does not require extra attention. In addition, the new Canvas' instructions (table 4) will indirectly lead to the consideration and utilization of channels through for example partnerships.

5.1.1 Key Partners And Stakeholder Relationship

While ToP literature emphasizes the benefits associated with partnerships, BoP literature and empirical research underline that MNCs simply cannot capture the South African market potential without key partners (Black, Akintoye and Fitzgerald 2000; Osterwalder 2004; Osterwalder and Pigneur 2010; Lewis 1995; Coase 1937; Williamson 1975; Dussauge, Garrette and Prahalad 1999; Zain and Ng 2006; Gattorna and Walters 1996; Hagedoorn, Link and Vonortas 2000; Feller et al. 2013; MacBeth and Ferguson 1994; Abélès 2006; Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013). Partnerships solve the BoP market gaps by providing interactive networks in which assets, resources and capabilities are shared (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008; Reficco and Márquez 2012). On basis of this, key partners are concluded as not only essential but the most important building block and are thus incorporated into the new Canvas.

As Norwegian MNCs in South Africa do not possess direct customers and focus their efforts on B2B and B2G relations and reputation management, the term customer relationship is not deemed appropriate anymore. As such, the term is substituted by stakeholder relationships. Since the stakeholders of investigated firms constitute their key partners, it is logical to merge the building blocks key partners and stakeholder relationships. An elimination of the building block stakeholder relationships is not appropriate as BoP literature focuses on the need for a decent planning process that ensures a clean, transparent and ethical reputation as well as the need for an inclusive approach to engage the local population into the relationships (Dyche 2002; Chikweche and Fletcher 2013; Esposito, Kapoor and Goyal 2012; Prahalad 2012). Resultant, stakeholder relationship lies within the key partner block.

5.1.2 Key Activities

Literature and empirical research alike conclude that firms' core activities are the same in ToP and BoP markets but that it is imperative that the unique BoP conditions are focused on when conducting them. Key activities in South Africa must serve the domestic market while answering to the unique and challenging conditions the environment presents (Caves 2007; Jagtap et al. 2013). As key activities encompass all actions a company performs to do business and achieve its goals, they are automatically included in the other building blocks of the Canvas and as such no longer stand on their own (Osterwalder 2004; Osterwalder and Pigneur 2010). The absorption of key activities into other building blocks is illustrated in the new model, while the instructions (table 4) details what companies must bare in mind when conducting their key activities through other building blocks.

5.1.3 Channels

ToP and BoP literature agree on the claim that channels are an essential but highly challenging element of a firms' core business (Zook and Allen 2010; Anderson and Markides 2007; Schuster and Holtbrugge 2012; Karamchandani, Kubzansky and Lalwani 2011; Ireland 2008). Despite the BoP literature claim that channels are less developed, non-existent, mired by weak supporting infrastructure and lack maintenance and development investment, empirical research showed that they are not a barrier to entry (Anderson and Markides 2007; Schuster and Holtbrugge 2012; Chikweche and Fletcher 2012; Karamchandani, Kubzansky and Lalwani 2011). South Africa specific findings show that there is a functional level of infrastructure in the country and as such this building block does not require extra consideration. This is explained by MNCs either operating in urban areas with B2B cooperation or by utilizing B2G relations to communicate and distribute to consumers in rural areas. As channels are not problematic in South Africa, they are disregarded in the creation of the new Canvas.

5.1.4 Customer Segment

ToP and BoP literature highlight the importance of customer segmentation. The focus in ToP literature is set on building customer loyalty by providing products and service that are tailored to target a special customer segment (Zook and Allen 2010; Hedman and Kalling 2003). The focus of BoP literature is on segmentation

considerations in BoP markets, this is not confirmed by the South African empirical research (Egan and Ovanessoff 2011; Prahalad and Hart 2002; Dolfsma, Duysters and Costa 2009). Rather firms serve customers indirectly. A segmentation of direct customers is therefore not required. Concluding, the customer segment building block is not reflected in the new Canvas.

5.1.5 Cost Structure And Revenue Stream

The interrelation between cost structure and revenue stream and their important, but not dominant role in BoP business operations, is supported by literature and empirical research alike. All costs incurred in business transactions directly affect a company's ability to generate revenue (Osterwalder 2004; Osterwalder and Pigneur 2010). Empirical research shows that while some MNCs confirm the literature claim of innovative price models, others do not adapt their pricing mechanism to the BoP market at all (Pralhad 2012; Hart 2010). Additionally, empirical research illustrates that revenue streams are not a major challenge. In South Africa this can be explained by the country's high economic growth level and the fact that firms operate in B2B and B2G segments. As the cost structure and revenue stream are directly linked and play a secondary role in the South African BoP, the two have been merged into one financial building block in the new Canvas.

5.2 Consistent Building Blocks

Overall findings indicate that several of Osterwalder and Pigneur's (2010) building blocks are appropriate and necessary to include in the new South African BoP Business Model Canvas.

5.2.1 Key Resources

While ToP literature emphasizes that key resources must be evaluated in terms of how rare and hard to imitate they are, BoP literature and South African empirical findings claim that sustainable and ecofriendly solutions are of the utmost importance (Dess, Lumpkin and Eisner 2008; Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Hart 2008; Prahalad and Hart 2002). The element of sustainability is anchored in the South African government and as a result its legislation governs key resources. As empirical research shows that MNCs face grand difficulties within their human resources

which they have to respond to with education and training, this building block must be paid particularly attention to. Due to this unique situation in South Africa, the key resources building block is included in the new Canvas.

5.2.2 Value Proposition

ToP and BoP literature align with South African empirical research findings on the concept of value proposition. Despite being mired by a lack of consensus in terms of definition, dimension and measurement, the focus should be placed on the need to match ones proposition to the consumer's perception of the need for such a value (Osterwalder 2004; Osterwalder and Pigneur 2010; Demil and Lecocq 2010; Gummerus 2013; Ramani et al. 2012; Egan and Ovanessoff 201; Leszinski and Marn 1997; Sanchez-Fernandez and Iniesta-Bonillo 2007; Gummerus 2013). In South Africa this means providing a high quality product or service, demonstrating and proving its worth through education and focusing on shared economic and social value (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013; Hart and London 2005; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008). Further on, value proposition in South Africa must be designed as economically viable in accordance with legislation. Due to the importance of value proposition and the unique considerations that must be applied to the South African BoP, this building block remains in the new Canvas.

5.3 New Building Blocks

Literature and empirical research have uncovered three new building blocks vital for operating successfully in South Africa. Due to the unique characteristics of the BoP market, firms must additionally to the other building blocks named, innovate their business model with sustainability and the market environment in relation to time. As a result, these three new elements have been developed and incorporated into the South African BoP Business Model Canvas.

5.3.1 Sustainability

Osterwalder (2013) put forth the notion that firms must take into consideration the social and environmental costs and benefits associated with business operations

which has been confirmed by empirical research. Thus the new Canvas builds on this notion. While ToP literature mentions that companies should focus on the triple bottom line measuring success by financial, social, ethical and environmental performance and strive to improve the overall welfare of society, BoP literature and empirical findings underline its utmost necessity (Norman and MacDonald 2004; Dess et al 2008; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012). South African legislation encompasses sustainability requirements which firms must meet in order to operate in the marketplace. As a result, sustainability affects all building blocks in the new Business Model Canvas and is therefore developed as its own building block.

5.3.2 Market Environment

Companies who enter a new market are required to shift their mind in order to adapt to the environment and its unique conditions (Rivera-Santos and Rufin 2010; Hart 2010; Rivera-Santos and Rufin 2010; Prahalad 2012). ToP literature suggests uncovering these particular characteristics through Porter's five forces, SWOT or PESTEL analyses (Humphrey 2005; Yüksel 2012). The nature of the South African BoP is highly competitive, corrupt and flushed with formal and informal institutions and mechanisms. As a result, MNCs conducting business in this specific environment must educate themselves, increase their awareness and take precautionary measures when possible. The market environment's large role and effect on firms operating in the South African BoP deems it deserving of its own block in the new Canvas.

5.3.3 Time

Through additional BMC comments, suggestions and critique by interviewees, the need of a time element was uncovered. Many interviewees shared that they execute a thorough planning process for operating in the BoP market. In this development process, they distinguish between different stages of operations. For instance many interviewees highlight the need for strategizing before the establishment phase, preparing the company and its employees for changes. Many research subjects spend this time focusing on building quality relations and control mechanisms before entering the BoP market. A focus on planning and management over time enables Norwegian MNCs to deliver high quality services

and products essential for survival in the competitive South African market.

Concluding, the new Canvas must be applied in regular intervals as the business and industry stage the companies are arranged in change.

5.3.4 The Business Process

The literature review illustrated in the critique of Osterwalder and Pigneur's (2010) BMC the need of a combining element between a firm's business model and its operations, the business process. A business process should clarify how a company utilizes the business model in reality. The business process is included in the new model by the accompanying instructions. By reflecting on all findings in the South African market revealed by the empirical research and the relevant BoP literature, companies are provided with information on how to use the new Business Model Canvas for operating in the South African BoP market on the basis of B2B and B2G cooperation.

5.3.5 Summary

The table below summarizes the former discussion:

Building Block	ToP Literature	SA Confirmed BoP Literature	SA Specific Empirical Findings
Key Partners	<ul style="list-style-type: none"> Cooperate with suppliers to meet customer’s quality, flexibility and cost requirements (Black, Akintoye and Fitzgerald 2000) Benefits include higher margins, lower costs, better value propositions for customers, larger market share, quality improvements, design-cycle time reductions and increased operating flexibility (Lewis 1995) Prevents transaction costs (Coase 1937; Williamson 1975; Dussauge, Garrette and Prahalad 1999) Can uncover new markets for companies and reduce language, legal and cultural barriers (Zain and Ng 2006) Coordinate necessary skills and resources, shares risks and gives competitive edge (Dussauge, Garrette and Prahalad 1999) Save on R&D costs, enhance organizational learning and foster innovation (Feller et al. 2013; MacBeth and Ferguson 1994) Create mutual trust, effective communication (Black, Akintoye and Fitzgerald 2000) 	<ul style="list-style-type: none"> Producer-oriented approach (Karnani 2007) Cannot capture BoP potential without partners. Innovation within the ecosystem essential. Main gaps at BoP markets should be substituted within interactive networks and relationships to share assets, resources and capabilities (Hart 2010; Prahalad 2012; Rivera-Santos and Ruffin 2010; Reficco and Márquez 2012; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) Inclusive business models requiring long-time working relationships and demand education, empowerment and skill transfer (Reficco and Márquez 2012) Build mutual trust, interest and commitment (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008; Reficco and Márquez 2012) Four phases: Not linear, elements of changes and feedback loops (Simanis and Hart 2008) 	<ul style="list-style-type: none"> Standards taken for granted in Norway cannot be expected in South Africa Educational approach of their key partners is a key success factor Must prove through demonstrations and quality testing that a product/service is of value Identifying right partners during early planning phases Cooperate in an inclusive network Develop mutual understanding Specification of roles and responsibilities Physical presence Overcoming inertia Fear of copying B2B: Even greater value as employees have been substituted by key partners B2B: Choose key partners who compliment them B2B: Complex partnerships due to fact that all partners have own agenda B2B: Firms do not give exclusivity B2B: Variety of partnerships
	<ul style="list-style-type: none"> Should be analyzed against the value chain, value shop and value network (Stabell and Fjellstad 1998; Dess, Lumpkin and Eisner 2008; Porter 1985) Distinguishes between primary activities and support activities. Activities depend on industry (Porter 1985) 	<ul style="list-style-type: none"> Key activities focus on serving domestic markets (Caves 2007) Must be arranged in order to answer to unique and challenging conditions (Jagtap et al. 2013) Key activities reflected in all other building blocks (Jagtap et al. 2013) 	<ul style="list-style-type: none"> N/A

<p>Key Resources</p>	<ul style="list-style-type: none"> Assets such as the people, technology, products, facilities, equipment, channels, and brand required to deliver the value proposition for customers (Johnson, Christensen, and Kagermann 2008) Need to be evaluated in terms of how valuable, rare and hard to imitate or duplicate for competitor (Dess, Lumpkin and Eisner 2008) Separates into tangible and intangible assets and organizational capabilities (Dess, Lumpkin and Eisner 2008) 	<ul style="list-style-type: none"> Sustainable and ecofriendly solutions essential (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) Important to focus on limiting, reducing and recycling (Prahalad and Hart 2002; Hart 2010) Use of local, tangible and intangible resources (Prahalad and Hart 2002; Hart 2010) Use renewable resources that can regenerate naturally and substitute non-renewable resources (Chopra and Narayana 2012; Bardi and Massaro 2013; Hart and Christensen 2002) 	<ul style="list-style-type: none"> Controlled and conducted according to post-apartheid Human Resource challenge: employ South African employees or operate with key partners as entrepreneurial consultants or “negotiators” Entrepreneurial approach faces challenges regarding limited human resources Educate human resources if necessary or acquire new companies and their resources B2B: Substitute employees with key partners with virtual cooperation backing. B2B: Lack of human resources is challenging B2G: Firm has market presence with employees. B2G: Education and training essential
	<ul style="list-style-type: none"> Synthesizing a way to create value with resources, competences and internal/external organization (Demil and Lecocq 2010) All other building blocks are set in motion to produce a proposition that generates value for consumers and the organization (Demil and Lecocq 2010) The importance of value is rooted in the influence that customer value perceptions have on customers’ attitudinal loyalty and repurchase behavior and thereby on paybacks for firms (Gummerus 2013) Competing conceptualizations and lack of consensus for definition, dimensions and measurements (Leszinski and Marn 1997; Sanchez-Fernandez and Iniesta-Bonillo 2007; Gummerus 2013) 	<ul style="list-style-type: none"> Proposition must match consumer’s perception of need for value (Ramani et al. 2012; Egan and Ovanessoff 2011) High quality product or service vital (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) Demonstrate and prove quality through education (Prahalad 2012) Focusing on shared value, both economic and social (Esposito, Kapoor and Goyal 2012, Porter and Kramer 2011) Capture revenue by engaging the market segment (Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart 2010.; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) Build local capacity and embeddedness (Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart and London 2005) Innovate proposition with sustainability (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) Collaborate with non-traditional partners (Dahan et al. 2010; Esposito, Kapoor and Goyal 2012) Awareness and affordability (Prahalad 2012) 	<ul style="list-style-type: none"> Difficulty to define and measure value and success Value associated with being ‘economically viable’ according to legislation
<p>Customer Relationship</p>	<ul style="list-style-type: none"> Requires and deserves a great attention (Chan, Ip and Cho 2010) Anticipate customer needs with the right product at the right time, in the right place (Yourdon 2000) Cost of acquiring new customers is higher than retaining existing ones (Dyche 2002) Retention and loyalty enhance market share and business 	<ul style="list-style-type: none"> Keep reputation as clean, ethical and of value (Esposito et al.) Detailed planning and management required for effective and successful relationship building (Chikweche and Fletcher 2013) Inclusive approach to engage local population (Esposito, Kapoor and Goyal 2012; Reficco and Márquez 2012) Trust and transparency are essential (Esposito, Kapoor and 	<ul style="list-style-type: none"> No direct customers, rather stakeholders Being physically present is essential Speed and nature of business operations must be matched Work faster and more efficiently than in Norway

	<p>position (Chan, Ip and Cho 2010)</p> <ul style="list-style-type: none"> • Important part of core business (Zook and Allen 2010) • Main task and challenge companies face (Zook and Allen 2010) • Change with time so important to keep abreast with developments and trends(Zook and Allen 2010) 	<p>Goyal 2012; Prahalad 2012)</p> <ul style="list-style-type: none"> • Awareness necessary (Esposito, Kapoor and Goyal 2012; Prahalad 2012) 	<ul style="list-style-type: none"> • Functioning level of infrastructure not an issue • B2B:Operate in urban areas • B2G:Operate in urban and rural areas
Customer Segment	<ul style="list-style-type: none"> • Customers, along with products, capabilities, channels and geographies, belong to the core business (Zook and Allen 2010) • Loyalty may be built in an existing customer segment or by identifying or creating, a new segment (Zook and Allen 2010) • Favorable quality to price position in order to successfully target segment and to compete within segment (Hedman and Kalling 2003) • Provide customer-perceived quality product or service (Hedman and Kalling 2003) • Firms must segment their target (Cespedes et al. 2013;Browne et al. 2013) 	<ul style="list-style-type: none"> • Cross-country approach (Egan and Ovanessoff 2011) • Segment in a scalable and transportable manner across countries, cultures and languages (Prahalad and Hart 2002; Egan and Ovanessoff 2011; Dolfisma, Duysters and Costa 2009) 	<ul style="list-style-type: none"> • Customers are not hard to identify or approach • Serve customers indirectly • B2G: Few potential customers to collaborate with
	<ul style="list-style-type: none"> • A core element of a business model (Linder and Cantrell 2000; Markides 1999; Chesbrough and Rosenbaum 2000; Dubosson-Torbay et al. 2001) • Direct costs, indirect costs and economies of scale (Johnson, Christensen and Kagermann 2008) • Low-cost and differentiation strategies (Porter 1991) 	<ul style="list-style-type: none"> • Calculate with low margins, compensate with high volume (Hart 2010) • Changes in the customary price-performance relationship by innovative price models (Prahalad 2012) • Scalability of products across countries, cultures and different languages (Dolfisma, Duysters and Costa 2009; Prahalad and Hart 2002; Egan and Ovanessoff 2011) • High quality product/service (Prahalad and Hart 2002; Prahalad and Krishnan 2008) 	<ul style="list-style-type: none"> • Some do not adopted in terms of cost for the South African market • Lack of need for price reduction due to South Africa's high economic growth • Investigated firms operate with other firms or government organizations, not B2C segments
Revenue Stream	<ul style="list-style-type: none"> • Business model synthesizes a way to create value in the firm; in essence how an organization functions and creates revenue (Demil and Lecocq 2010) • Pricing mechanisms to improve revenue maximization. (Osterwalder 2004) • The power has been and is slowly shifting from the customer being a price taker to being a price maker (Pitt; Berthon and Berthon 1999) 	<ul style="list-style-type: none"> • Align profit pursuit with poverty relief and empowerment (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) • Hybrid business model approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) • Combine social welfare with traditional revenue generating approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) 	<ul style="list-style-type: none"> • Not a major challenge in South Africa BoP • High volume philosophy • Great opportunities due to many unmet and underserved needs • B2B: Liquidity and financial standings of partners is an issue, must assess risk and solve by requiring a letter of credit and proof of capital • B2B: More dependent on key partners; Estimate revenue stream with more insecurity and risk; Insist on payments upfront
	<ul style="list-style-type: none"> • Triple Bottom Line (Norman and MacDonald 2004; Dess, Lumpkin and Eisner 2008) • Social responsibility expresses that businesses or individuals strive to improve the overall welfare of society (Dess, Lumpkin and Eisner 2008) 	<ul style="list-style-type: none"> • Sustainable social and environmental growth essential (Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Nidumolu, Prahalad and Rangaswami 2009; Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Prahalad and Hart 2002) 	<ul style="list-style-type: none"> • Legislation encompasses sustainability requirements • Scorecard of seven pillars rates companies • All firms are interested in high score and good reputation • Bureaucratic elements pose challenges to firms and

<p>Market Environment</p>	<ul style="list-style-type: none"> Strong positive relationship between corporate social responsibility behaviors and consumers' reaction to a firm's products and service (Dess, Lumpkin and Eisner 2008) 	<p>operations</p> <ul style="list-style-type: none"> Scorecard rating from one to seven B2B: Turnover of R5 million or less per annum; Exempt from BEE B2G: Need scorecard rating of one to four
	<ul style="list-style-type: none"> Porter's five forces determine the competitive intensity and attractiveness of a market (Porter 2008) External and internal sources of competition divided into: the threat of substitute products/services, of established rivals, of new entrants and the bargaining power of suppliers and customers (Porter 2008) SWOT analysis identifies key internal and external factors and is divided into: internal strengths and weaknesses and external factors opportunities and threats (Humphrey 2005) PESTEL identifies the external forces affecting an organization and includes the Political, Economical, Social and Technological, Environmental environment (Yüksel 2012) 	<ul style="list-style-type: none"> Contracts are seldom sufficient in developing contexts, political systems are slow to act and sometimes corrupt (Chesbrough et al. 2006) Utilization of both formal and informal institutions and mechanisms are essential. Firms must pay more attention to corruption (Rivera-Santos, Rufin and Kolk 2012) Mind shift of MNCs essential (Rivera-Santos and Rufin 2010; Hart 2010; Prahalad 2012) Highly competitive market, both in terms of local and international actors International firms eliminate competition by acquiring smaller companies and shelving technology Precautionary measures needed to prevent trademark and copy infringements. Negotiations characterized by a more straightforward and slightly aggressive nature. High market pressure and high work pace. Great potential in the unsaturated market with opportunities in B2B and B2G Poor ratings and lack of legitimacy of banks may be an issue B2B: Must fight hard to protect market position B2B: Market opportunities due to unsaturated market needs B2G: Market opportunities due to unsaturated market needs

Table 3: Basis Of The Development Of The South African BoP Business Model Canvas

5.4 The South African BoP Business Model Canvas

On basis of the former research and in alignment with Mohr, Sengupta and Slater's (2012) typology of BoP approaches, the following Business Model Canvas is applicable for companies operating with a moderate degree of self-sustainability in moderate consumer resources and infrastructure (B2B) or moderate consumer resources and low infrastructure (B2G).

The newly developed Business Model Canvas below visualizes they key elements which are essential for operating successfully in the South African BoP and includes the seven building blocks cost structure and revenue stream, key partners and stakeholder relationships, key resources, value proposition, sustainability, market environment and time. Additionally the Canvas provides an attached eighth element, the South African BoP Business Model Canvas Instructions. The model is contained within a circle whose arrows indicate time and feedbacks loops which firms must considerate of during their BoP operations. Housed within the circular shape is the surrounding market environment which firms must take into account in relation to all building block elements. Key partners and stakeholder relationships are positioned at the top of the model in an elongated red rectangle to highlight their overarching effect on the elements of the South African BoP BMC. At the bottom of the model sits a green sustainability rectangle which underlines that all elements are anchored in and obliged to comply with South African legislation regarding social and environmental costs and benefits. In the middle of the model sit three central building blocks which are circular, overlapping and together form the shape of a pyramid. Cost structure and revenue are housed in the bottom left corner while key resources sit on the right. These two building blocks together form the base for the value proposition which sits at the peak of the pyramid. Together, these seven elements with the attached instruction guidelines form the new South African BoP Business Model Canvas, shown below:

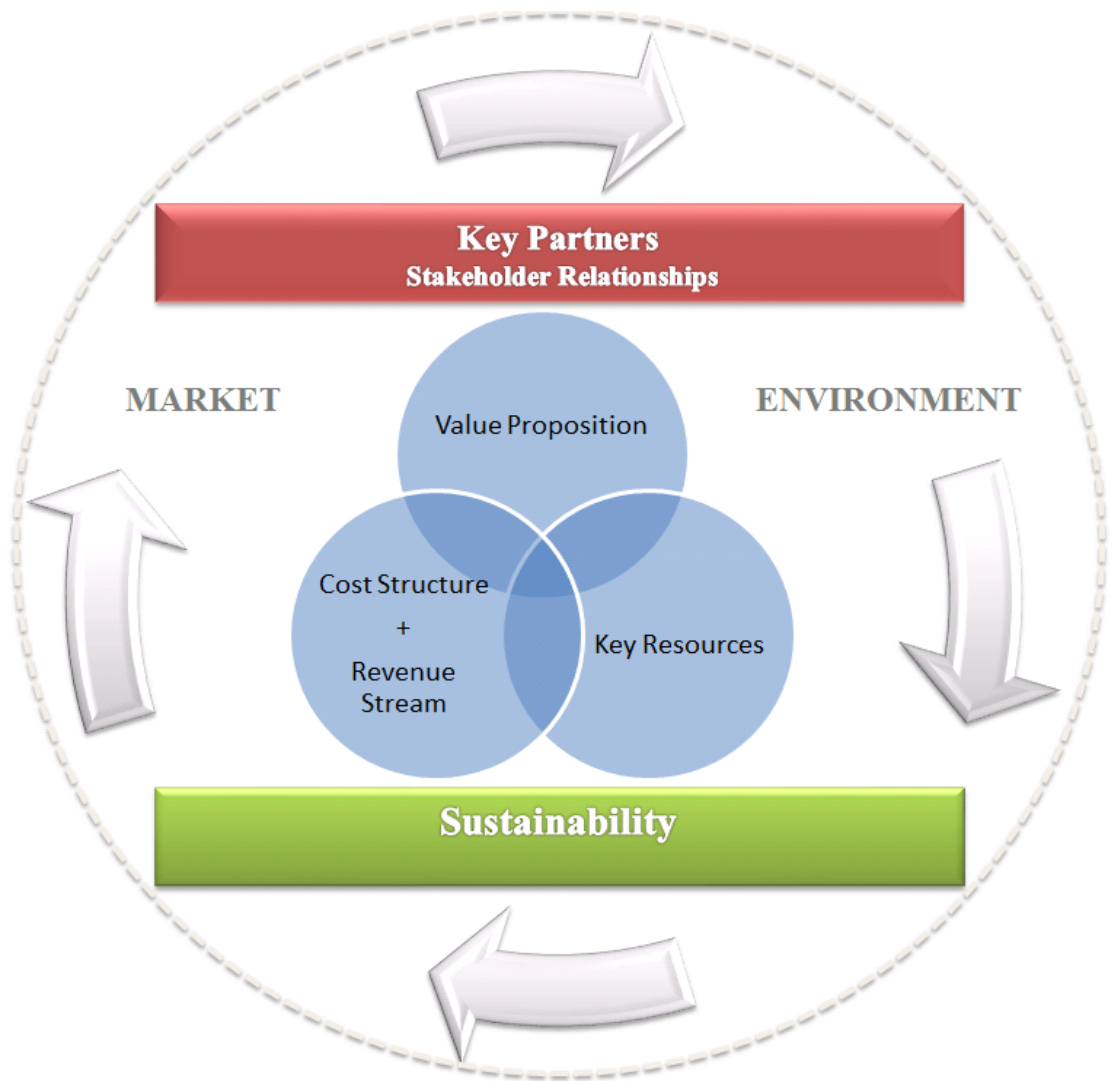


Figure 12: The South African BoP Business Model Canvas

The South African BoP Business Model Canvas Instructions
 This table should be used in combination with the South African BoP Business Model Canvas. It guides firms on how to conduct key activities successfully by highlighting what managers have to bare in mind in a South African BoP context. These instructions are only applicable for MNCs that operate on B2B or B2G basis.
 NB: It is advisable to apply the Canvas in regular intervals through feedback loops while the business and industry stage your company is arranged in changes. We suggest aligning the usage to the life cycle of a firm, applying it in the differing phases of introduction, growth, maturity and decline.

Building Block		Specific for B2B (Urban)	Specific for B2G (Rural)
Key Partners and Stakeholder Relationships	<ul style="list-style-type: none"> • See BoP segment as producers (Karnani 2007) • You cannot capture BoP potential without partners. Innovation within the the ecosystem essential. Main gaps at BoP markets should be substituted within interactive networks and relationships to share assets, resources and capabilities (Hart 2010; Prahalad 2012; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) • Work within inclusive business models where you engage local population. These networks require long-time working relationships and demand education, empowerment and skill transfer (Reficco and Márquez 2012; Esposito, Kapoor and Goyal 2012) • Build mutual trust, interest and commitment (Chesbrough et al. 2006; Prahalad and Mashelkar 2010; Simanis and Hart 2008; Reficco and Márquez 2012) • The partnering process involves in four phases: Not linear, elements of changes and feedback loops (Simanis and Hart 2008) • Keep your reputation clean, ethical and of value (Esposito et al.) • Detailed planning and management required for effective and successful relationship building (Chikweche and Fletcher 2013) • Trust and transparency are essential (Esposito, Kapoor and Goyal 2012; Prahalad 2012) • Awareness necessary (Esposito, Kapoor and Goyal 2012; Prahalad 2012) • Standards taken for granted in Norway cannot be expected in South Africa • Educational approach of your key partners is a key success factor • You must prove through demonstrations and quality testing that your product/service is of value • Identify your partners during early planning phases • Develop mutual understanding • Clarify roles and responsibilities • Be physical present • Overcome your inertia • Be aware of possible copying by competitors • No direct customers, rather stakeholders 	<ul style="list-style-type: none"> • Even greater value as employees have been substituted by key partners • Choose key partners who compliment you • Be aware: Partnerships are complex if partners have own agenda • Consider To not give exclusivity and have a variety of partnerships 	<ul style="list-style-type: none"> • Few potential key partners

	<ul style="list-style-type: none"> • Being physically present is essential • Match your speed and nature of business operations to the South African • Work faster and more efficiently than in Norway
<p>Key Resources</p>	<ul style="list-style-type: none"> • Sustainable and ecofriendly solutions essential (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) • Focus on limiting, reducing and recycling (Prahalad and Hart 2002; Hart 2010) • Use local, tangible and intangible resources (Prahalad and Hart 2002; Hart 2010) • Use renewable resources that can regenerate naturally and substitute non-renewable resources (Chopra and Narayana 2012; Bardi and Massaro 2013; Hart and Christensen 2002) • Controlled and conducted according to post-apartheid
<p>Value Proposition</p>	<ul style="list-style-type: none"> • Proposition must match consumer’s perception of need for value (Ramani et al. 2012; Egan and Ovanessoff 2011) • High quality product or service vital (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) • Demonstrate and prove quality through education (Prahalad 2012) • Focus on shared value, both economic and social (Esposito, Kapoor and Goyal 2012, Porter and Kramer 2011) • Capture revenue by engaging the market segment (Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart 2010.; Rivera-Santos and Rufin 2010; Reficco and Márquez 2012; Nidumolu, Prahalad and Rangaswami 2009; Sanchez and Ricart 2010; Schuster and Holtbrügge 2013) • Build local capacity and embeddedness (Viswanathan et al. 2007; Karnani 2007; Esposito, Kapoor and Goyal 2012; Hart and London 2005) • Innovate proposition with sustainability (Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Hart 2010; London 2007; Simanis and Harts 2008; Prahalad and Hart 2002) • Collaborate with non-traditional partners (Dahan et al. 2010; Esposito, Kapoor and Goyal 2012) • Awareness and affordability (Prahalad 2012) • Difficulty to define and measure value and success • Value associated with being ‘economically viable’ according to legislation

<p>Cost Structure and Revenue Stream</p>	<ul style="list-style-type: none"> • Calculate with low margins, compensate with high volume (Hart 2010) • Changes the customary price-performance relationship by innovating your price models (Prahalad 2012) • Scalability of products across countries, cultures and different languages can be necessary (Prahalad and Hart 2002; Dolfma, Duysters and Costa 2009; Prahalad and Hart 2002; Egan and Ovanessoff 2011) • High quality product/service essential (Prahalad and Hart 2002; Prahalad and Krishnan 2008; Prahalad and Hart 2002) • Align your profit pursuit with poverty relief and empowerment (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) • Use a hybrid business model approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) • Combine social welfare with traditional revenue generating approach (Chatterjee 2013; Prahalad 2006; Battilana et al. 2012; Ansari, Munir and Gregg 2012) • Some do not adopted in terms of cost for the South African market • Lack of need for price reduction due to South Africa’s high economic growth • Not a major challenge in South Africa BoP • Great opportunities due to many unmet and underserved needs • High volume, low prices philosophy 	<ul style="list-style-type: none"> • B2B more dependent on key partners • Estimate revenue stream with more insecurity and risk • Insist on payments upfront • Liquidity and financial standings of partners is an issue • Assess risk • Require a letter of credit and proof 	<ul style="list-style-type: none"> • N/A
<p>Sustainability</p>	<ul style="list-style-type: none"> • Sustainable social and environmental growth essential (Hart 2010; Prahalad 2012; Withagen and Sjak 2012; London 2007; Simanis and Harts 2008; Nidumolu, Prahalad and Rangaswami 2009; Nidumolu, Prahalad and Rangaswami 2009; Esposito, Kapoor and Goyal 2012; Prahalad and Hart 2002) • Legislation encompasses sustainability requirements • Scorecard of seven pillars rates companies • All firms are interested in high score and good reputation • Bureaucratic elements can pose challenges 	<ul style="list-style-type: none"> • Scorecard rating from one to seven • Turnover of R5 million or less per annum: Exempt from BEE 	<ul style="list-style-type: none"> • Need scorecard rating of one to four
<p>Market Environment</p>	<ul style="list-style-type: none"> • Contracts are seldom sufficient in developing contexts, political systems are slow to act and sometimes corrupt (Chesbrough et al. 2006) • Utilization of both formal and informal institutions and mechanisms are essential. Pay attention to corruption (Rivera-Santos, Ruffin and Kolk 2012) • Mind shift of your company essential (Rivera-Santos and Ruffin 2010; Hart 2010; Prahalad 2012) • Highly competitive market, both in terms of local and international actors • International firms eliminate competition by acquiring smaller companies and shelving technology • Precautionary measures needed to prevent trademark and copy infringements. • Negotiations characterized by a more straightforward and slightly aggressive nature. • High market pressure and high work pace. • Great potential in the unsaturated market with opportunities in B2B and B2G • Poor ratings and lack of legitimacy of banks may be an issue 	<ul style="list-style-type: none"> • Must fight hard to protect market position • Market opportunities due to unsaturated market needs 	<ul style="list-style-type: none"> • Market opportunities due to government investment

Table 4: The South African Business Model Canvas Instructions

6 Conclusion

This Master Thesis was motivated by the apparent lack of a business model framework for operations at the BoP market, particularly on the African continent, indicating the need for more in-depth research on business model innovation.

Literature fails to reach a consensus on whether the Bottom of the Pyramid presents a profitable market, who is best suited to tap this potential and how they should do so. After a thorough literature review, it has become clear that current BoP literature is too general and not targeted enough and thus this work strives to fill this gap.

The major aim of this Master Thesis, to uncover *how Norwegian MNCs can adopt their business model in order to meet the challenges and opportunities in the South African BoP*, has been answered. On the basis of Osterwalder and Pigneur's (2010) Business Model Canvas, an extensive comparison of ToP literature, BoP literature and empirical research on Norwegian MNCs operating in the South African BoP has been conducted. The key findings from the comparative study have resulted in the creation of a new Canvas in which original building blocks are either merged, deleted, kept or innovated. This has led to the development of the South African BoP Business Model Canvas.

All in all, empirical research has revealed that Norwegian MNCs have found creative market-based approaches to overcome the unique challenges of serving the South African BoP segment. Investigated firms escape the pitfalls of typical BoP market challenges by innovating their business models towards the nature of inclusive networks with a focus on local stakeholders and education while operating on a B2B or B2G basis. Both approaches avoid consumer related BoP issues claimed by literature to be the main barrier to market entry and success.

The South African BoP Business Model Canvas should be utilized by MNCs seeking unsaturated market opportunities while generating the much needed economic diversification, jobs and social development which South Africa so desperately needs.

Empirical research questions the usefulness of the South African scorecard. Case studies highlighted that though the governmental legislation's intention is good, the scorecard is critiqued for lacking flexibility and placing race at the forefront.

On background of the Master Thesis key findings, the authors suggest improving the South African scorecard by incorporating an element of education which serves to decrease the knowledge gap in the market and ultimately increasing the market's attractiveness for multinational corporations. The educational element should focus on strengthen skills but also on improving South Africa's absorptive capacity fostering the business environment for innovation.

As Norwegians MNCs have successfully answered to the unique conditions in the South African market and their initiatives have led to positive social and environmental spillover effects, they have shown to be more helpful than damaging and proven that they are well fitted to operate in the Bottom of the Pyramid.

The question arises of whether these findings are transferrable to other BoP segments which do not enforce the element of sustainability. The authors believe that the origin for the positive BoP benefits from multinational operations lie within the framework of South Africa's comprehensive body of legislation. The authors wonder if the implementation of a scorecard is advisable for other countries with BoP segments and suggest that further research explores this area.

Concluding, South Africa serves as a good empirical basis for illustrating how a country can combat major BoP issues.

6.1 Limitations And Further Research

Due to restrictions on length and time, this Master Thesis is limited to the area of innovative business models and as such other aspects that certainly play a role for operating at the BoP have been disregarded. As this Master Thesis has its limitations for instance a small sample size, further research needs to be conducted. Despite this, it is important to highlight that the research process was continued until it reached its ideal saturation point (Amoroso 2011). Yet, additional interviews should be conducted to gain a higher representation. The interview subjects agree on the usefulness of the newly developed South African BoP Business Model Canvas, however this positive reconfirmation must be taken subjectively due to their degree of involvement and understanding of the market. Research should test the applicability of the Canvas on basis of large scale surveys and neutral participants.

Given the variations and unique characteristics that exist across contexts, products, industries and needs, this empirical research focused on Norwegian MNCs operating in South Africa on B2B and B2G basis cannot be generalized for other Bottom of Pyramid segments. As a result, tailored business models are needed for each, individual BoP that exists in the world. This strengthens the call for more in-depth analyses on business model innovation for different markets and segments. In light of this Thesis the need for more research on how to identify appropriate key partners became especially evident.

We hope the South African BoP Business Model Canvas can provide inspirations, opportunities and ideas for further research and help eradicate poverty in the Bottom of the Pyramid.

7 Appendix

7.1 Number Of Published Bop Articles

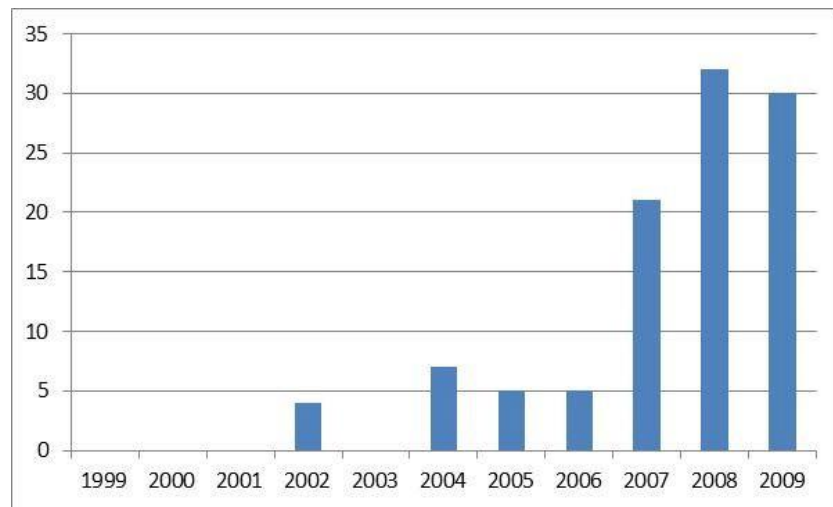


Figure 13: Number of Published Bop Articles

(Kolk, Rivera-Santos and Rufin 2012)

7.2 PESTEL Analysis South Africa

Brief History

South Africa was born out of colonialism by the Dutch who founded Table Bay, today Cape Town, in 1652 and who were among the country's first European settlers (BBC 2012, CIA 2013). The Dutch East India Company colonized the southern tip out of the necessity for a stopover point on their spice route to and from the Far East (BBC 2012, CIA 2013). Since this initial settlement, South Africa has been mired by conflict spurred by resource hungry Europeans in form of wars and more recently apartheid. Today, South Africa is considered by scholars and researchers alike a "middle-income, emerging market with an abundance of natural resources, well-developed financial, legal, communications, energy, and transport sectors" (NORAD 2010).

Political And Legal Factors

Since the abolishment of apartheid in 1994, South Africa has had a constitutional multiparty, three-tier (local, provincial, national) democracy (South African Government 2013). The newly developed constitution has had the benefits of learning and drawing from experienced democracies and as such is considered a shining example of democracy (South African Tourism 2013). The government has three distinct capitals Pretoria (administrative), Cape Town (legislative) and

Bloemfontein (judicial) which govern the country's nine provinces; Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North-West, Western Cape (South African Government 2013, CIA 2013). South Africa is currently headed by State President Jacob Zuma of the African National Congress (ANC).

Though the Bill of Rights contained in the Constitution stipulates that everyone has the right to basic education, the education system in South Africa is on average poor and extremely uneven (South African Government 2013, OECD 2013). The minority of South Africans receive the high-quality basic education required to make them eligible and qualified for university and a variety of industries and positions. "The failure of [South Africa's] basic education system creates a large pool of cheap, unskilled labour to fulfill middle-class needs, whims and desires, and decreases the competition for middle-class jobs" (The Guardian 2012). Despite this the World Health Organization's Country Cooperation Strategy highlights that the adult literacy rate in South Africa is 82.5% (WHO Africa 2009). Still, the country is plagued by unemployment issues whereof 23% of the formal labour force is out of work and additionally more are underemployed or not considered work-seekers (Ismail and Kleyn 2012).

The South African Department of Health is committed to increase life expectancy, decrease maternal and child mortality, combat HIV and AIDS, decrease the burden of disease from TB and strengthen the country's health system effectiveness (National Department of Health 2013). Since 1994 and the arrival of democracy, the government has made significant efforts to address the large issue of communicable (TB, Malaria, HIV, AIDS) and non-communicable (cancers, hypertension, diabetes and cardiovascular disorders) diseases and incidences of injuries and trauma from traffic accidents and violence (WHO Africa 2009).

South Africa has a residence based tax system which involves the taxation of residents' worldwide income, regardless of where this income was earned, while non-residents are taxed on income garnered from a South African source. Foreign taxes become credit against South African tax payable on foreign income. Income tax, both personal and company tax, derive the majority of the state's income though approximately one third of total revenue from national government taxes comes from indirect taxes, mainly VAT. (South African Revenue Service 2013)

The South African Department of Labour strives for a labour market which is conducive to investment, economic growth, employment creation and decent work. The legislation of the South African Basic Conditions of Employment Act amended in 1997, stipulates laws which are common in most democratic, western countries. South African employees should for example not work more than 45 hours in a week, never more than 12 hours in a day and be paid 1.5 times normal wage or receive paid time off for overtime (South African Department of Labour 2013).

The Broad-Based Black Economic Empowerment Act created in 2003 is one of the most important political instruments in South Africa and as such any company that wishes to invest in its BoP market must acquaint themselves with it. “The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy. The Act provides a legislative framework for the promotion of BEE, empowering the Minister of Trade and Industry to issue Codes of Good Practice and publish Transformation Charters, and paving the way for the establishment of the B-BBEE Advisory Council.” (South African Department of Labour 2013) Companies seeking to comply with B-BBEE policy have employed Verification Agencies however the practices among agencies has varied which has lead to confusion and the need for revisions (South African Department of Labour 2013). As a result, the Department of Trade and Industry together with the South African National Accreditation System have chosen to phase out certificates issued by non-accredited VAs (South African Department of Labour 2013).

The King Codes are progressive guidelines which were founded in 1992 when the King Committee, headed by Professor Mervyn E. King, was created to research and make recommendations for corporate governance in South Africa (Johannesburg Stock Exchange 2013; The International Center for Not-for-Profit Law 2010) In 1994 the first King Report was published focusing on integrity for business as companies do not act independently from society (The International Center for Not-for-Profit Law 2010). As stakeholders’ interests directly relate to the fundamental principles of sound financial, social, ethical and environmental practice, they must be considered in relation to each other (The International Center for Not-for-Profit Law 2010). The second King Report on corporate

governance, published in 2002, introduced the notion of corporate citizenship and the concept of the triple bottom line in relation to people, planet and profit (Johannesburg Stock Exchange 2013; The International Center for Not-for-Profit Law 2010). The third and final King Report builds on its predecessors and argues “good governance is not something that exists separate from the law and it is inappropriate to unhinge governance from the law” (The International Center for Not-for-Profit Law 2010). In essence King III argues that time will make governance practices become the standard and that failing to meet the recognized standards one should be liable at law (The International Center for Not-for-Profit Law 2010).

In 2004 the Johannesburg Stock Exchange developed a Socially Responsible Investment (SRI) Index to counter the escalating debate about sustainability, both globally and in the South African market. This Index was a pioneer in that it was the first of its kind launched by an exchange and the first in an emerging market. The SRI Index can be credited as the source of increased attention on responsible investment in emerging markets like South Africa. The reviews which “measure companies’ policies, performance and reporting in relation to the three pillars of the triple bottom line (environmental, economic and social sustainability)” are conducted by the SRI Index take place during the second half of each year and results are announced at the end of November. (Johannesburg Stock Exchange 2013)

Economic Factors

Until the abolishment of apartheid in 1994, which created one of the most unequal and racially segregated societies in the world, the economic growth in South Africa was slow due to economic isolation, high interest and inflation rates as well as policies based on political as opposed to sound, economic goals (NORAD 2010) The ramifications of apartheid remain highly apparent in the South African market. Currently approximately 95% of the population living with low-income are black and women are particularly affected as female headed households have 50% higher poverty rate than that of male-headed ones. As one of the most unequal societies in the world, a mere 53% of the South African population accounts for less than 10% of total consumption and the poorest 20% account for only 2.8%. (NORAD 2010)

According to the United Nations' Report, Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation, since 2000 the continent has experienced remarkable growth which has been "hailed as the next frontier for opportunity and a potential global growth pole." In conjunction, political conflicts have diminished, economic growth is up and economic management, governance and political stability have all changed for the better. As a result there has been a shift in the global perception of South Africa which now considers the continent as having enormous potential. (UNECA 2013)

Despite this recent economic improvement, South Africa has failed to generate the significant amount of economic diversification, jobs and social develop which is required to lift millions of citizens out of poverty (UNECA 2013). As a result, a key challenge for Africa now is to pursue economic policies that will increase and sustain growth while making it more inclusive and equitable (UNECA 2013). The UN Economic Commission for Africa Report urges the continent to "use this global interest as springboard to achieving broad structural transformation based on the needs and priorities of Africans" (UNECA 2013).

On the numerical side, albeit slowly, things are improving. The New Growth Path (NGP) whose vision is to create a competitive, fair and socially cohesive economy, aims to improve economic growth with 7% per annum (South African Government 2013). The government estimates that the economic growth in 2012 was 3,4% which should rise to just over 4% in 2014 and 2015 (South African Government 2013).

Social Factors

The extremely diverse population of South Africa totals 51,770,560 where of 23,188,791 are male and 26,581,769 female (South African Government 2013). Of these approximately 79% are black African, 9.6% are white, 8.9% are colored and 2.5% are Indian/Asian (CIA 2013). The life expectancy for men is 53 while it is 54 for women (BBC 2011). South Africa is a multilingual country and its list of official languages includes IsiZulu (23.82%), IsiXhosa (17.64%), Afrikaans (13.35%), Sepedi (9.39%), English (8.2%), Setswana (8.2%), Sesotho (7.93%), Xitsonga (4.44%), siSwati (2.66%), Tshivenda (2.28%), isiNdebele (1.59%) and other (0.5%) (BBC 2011, CIA 2013, South African Government 2013).

The major religions in South Africa are Christianity, Islam and indigenous beliefs which when broken down into specifics constitute 36.6% Protestant, 7.1% Catholic, 1.5% Muslim, 36% other Christian, 2.3%, 1.4% other unspecified, and 15.1% none (BBC 2011, CIA 2013) Due to the multifaceted nature of the population, the newly created constitution guarantees freedom of worship (South African Tourism 2013).

Technological Factors

The port system in South Africa is owned by the National Ports Authority (NPA) and composed of eight locations: Saldanha Bay, Cape Town, Mossel Bay, Port Elizabeth, Ngquras, East London, Durban and Richards Bay (Development Bank of South Africa 2012). Commonly grouped into Western, Central and Eastern ports, these locations are a combination of physical infrastructure and operational services whose function is a part of the intricate logistics framework within the commercial and economic environment. The ports have a variety of functions; some specialize in exclusively in bulk commodities while others serve one specific industry. Others may focus on a specific cargo type yet have the capacity for variety of commodity types. (Development Bank of South Africa 2012)

The Rail Network in South Africa is comprised of 30,000km of tracks its main purpose is to connect the country's eight ports to the urban and industrial hinterlands. This extensive network also connects the country to its neighbours Namibia, Botswana, Mozambique and Zimbabwe and runs through Swaziland. The South African railway network is most similar to those of Poland, Italy and the Ukraine in terms of distance and most similar to Mexico in terms of overall geography and density. (Development Bank of South Africa 2012)

The road system in South Africa is classified into different operational systems, functional classes and geometric types. The main purpose of the classifications is for communication between authorities and the public. Although roads are generally numbered or designated to a specific authority, different regions and provinces tend to use different classification schemes and some roads are unmarked and without obvious ownership. The network is composed of 153,719 km of paved and 593,259 km of gravel roads. The main issue for the South African network is the massive backlog in road maintenance and rehabilitation. Under-investment and over-utilization has resulted in deteriorated roads. It is

worth noting that despite the poor conditions, South African roads measure up favorably compared to other countries on the continent. (Development Bank of South Africa 2012).

The Department of Communications has the mandate “to create a vibrant ICT sector that ensures that all South Africans have access to robust, reliable, affordable and secure ICT services in order to advance socio-economic development goals and support the African agenda and contribute to building a better world” (Department of Communication 2013). As a result the ICT industry, driven by explosive growth in mobile telephony and broadband connectivity, is one of the fastest growing sectors in the country’s economy. Having a network that is 99.9% digital and includes the newest in fixed-line, wireless and satellite communication, South Africa is considered the most developed telecom network on the continent. As of 2010, there were approximately 4.2 million fixed line connections, 29 million mobile phones, 28 million radios, 27 million TVs and 6 million personal computers. (South Africa Info 2013)

With regard to electricity in South Africa, it is available almost everywhere with the exception of a few rural areas, however the rapidly growing population, business and industry means that the power supply can not always meet the demand and as a result, power outages are not unusual in peak times (South Africa Tourism 2013). The main power supplier in South Africa, Eskom, together with the country’s government have made extending the electrical grid by constructing new power stations, diversifying power sources and institutionalizing energy efficiency programs a priority (South Africa Tourism 2013; South Africa Info 2013)

The Department of Water Affairs is the custodian of South Africa’s water resources and is responsible for formulating and implementing policies which govern the sector. The water sector works towards ensuring that all South Africans gain access to safe sanitation and clean water while promoting effective and efficient water resource management for sustainable economic and social development. (South African Department of Water Resources 2013) According to the World Wildlife Fund “South Africa is a chronically water stressed country with huge economic development pressures and social upliftment challenges” (WWF 2013). The availability of water is one of the most decisive variables in the

economic, social and environmental wellbeing of SA over the next decade and its supply is already very limited (WWF 2013). About 88.6% of households in South Africa have access to pipe-borne water, 60.4% to flush toilets and 61.6% to waste removal services (WHO Africa 2009).

Environmental And Geographic Factors

On the southern tip of the African continent composed of 1,219,090 sq km of land and nearly 3000 km coastline washed by the Indian Ocean and the Atlantic, you will find South Africa (CIA 2013, South African Tourism 2013) The country, geographically located at 29 00 S, 24 00 E, is bordered by the countries of Botswana, Mozambique, Namibia and Zimbabwe to the north and houses the two independent countries of Lesotho and Swaziland within its borders (CIA 2013, South African Tourism 2013). South Africa has a temperate climate and some provinces enjoy over 300 days of sunshine a year, a weather trait that has given rise to the often used catchphrase ‘Sunny South Africa’ (South African Tourism 2013). Due to its southern hemisphere location, the country’s winter season runs from May to August, spring September to October, summer November to February and autumn March to April (South African Tourism 2013). Most of the country’s nine provinces experience summer rainfall, with the exception of the Western Cape which has rainfall in the winter (South African Tourism 2013).

Conflict (Military, Terrorism, Corruption)

The history of South Africa is tarnished with a great deal of conflict, both domestically and with other countries on the African continent. These conflicts encompass civil wars, wars of aggression and those of self-defense, of battles fought in what is currently South Africa, in neighboring areas and both world wars (Beinart and Dubow 2003).

7.3 Business Model Components Matrix

	Value proposition	Customer	Resource	Partner	Channels	Revenue model
Timmers (1998)	Architecture for product/service/information flows			Business actors and their roles	Architecture for product/service/information flows	Sources of revenue
Stewart (2000)	Value capture	Customer selection			Scope and value chain	
Mahadevan (2000)	Value stream				Logistical stream	Revenue stream
Hamel (2000)	Value network	Customer interface	Strategic resources			
Rayport and Jaworski (2001)	Value cluster		Resource system			Financial model
Petrovic et al. (2001)	Value model	Customer relations model	Resource model	Production model		Revenue model,
Afuah and Tucci (2002)	Customer value		Capabilities, implementation	Connected activities		Price
Li (2009)	Value proposition	Target markets		Value network	Internal value chain structure	Cost structure and profit model
Johnson et al. (2008)	Customer value proposition		Key resources	Key processes		Profit formula
Moore (1993)	Offering factors		Personal/investor factors	Internal capability factors		Economic factors
Teece (2010)	Value capture and sustained competitive advantage	Market segments	Features/technologies and how they can be best assembled and offered	Features/technologies and how they can be best assembled and offered		Revenue and cost structures
Osterwalder (2004)	Value proposition	Customer segment, Customer relationship	Key resources	Key partners	Channels	Revenue streams

Table 5: Business Model Components Matrix

(Im and Cho 2013)

7.4 Bop Network Characteristics And Implications For MNCs

Table 1. TOP vs. BOP networks and implications for MNEs.

Network characteristics		TOP networks	BOP networks	Implications for MNEs at the BOP
Structural characteristics (P1)	Centralization	Often centralized around "lead firms"	Decentralized due to importance of non-market members (P1a)	Less control over network
	Linearity	Structure most often relatively linear (value chain)	Non-linear due to importance of non-market members (P1b)	More complex networks to manage
	Density	Relatively dense networks	Very high density in isolated clusters, but few connections between clusters ("villages") (P1c)	Need to develop local legitimacy to enter clusters, but potential advantage from own external links
	Structural holes	Relatively few	Many, as specialized intermediaries are scarce (P1d)	Need to internalize activities into the network, either by internalizing the activity within the MNE or by inciting local entrepreneurs to bridge the holes
Network boundaries (P2)	Scope	Relatively narrow business-driven scope	Wider due to lack of complementors and prevalence of value chain gaps (P2a)	More complex networks to manage, with a wider variety of actors and a greater vertical/horizontal diversification
	Tie domains	Few, mainly business-related	Multiple domains because of institutional gaps and of the demands of diverse network members, such as NGOs or the government (P2b)	Need to emphasize non-market ties and activities, and to develop local legitimacy
	Size	Large (often global in the case of MNEs)	Smaller, centered around local communities (P2c)	Easier management of network relations, but, also, a smaller pool of potential network partners

Tie characteristics (P3)	Directness	Mostly indirect ties (complex transactional and logistical chains)	Mostly direct, because of the need for "deep" knowledge of counterparts to create trust (embeddedness) (P3a)	Higher costs to develop and maintain ties
	Formality	Mainly formal (networks of alliances)	Mostly informal due to the weakness of formal institutions and a smaller network size, leading to personalized contact, extensive bargaining (P3b)	Need to develop alternative governance to compensate for lack of contracts, with associated risks
	Frequency of interactions	Mostly low to medium frequency	High frequency due to informal environment and, in the case of interactions with customers, irregular income	More complex logistics
Member diversity (P4)		Small (mostly business members, in spite of presence of research institutions or government in research consortia)	Large, because of the presence of many non-market actors due to a scarcity of business actors and of the multiplicity of domains (P4)	Prominence of interactions with non-market actors, leading to more complex networks to manage and a wider set of activities covered
Dynamics (P5)		Relatively stable, in	More unstable,	Higher risk when dealing
Member diversity (P4)		Small (mostly business members, in spite of presence of research institutions or government in research consortia)	Large, because of the presence of many non-market actors due to a scarcity of business actors and of the multiplicity of domains (P4)	Prominence of interactions with non-market actors, leading to more complex networks to manage and a wider set of activities covered
Dynamics (P5)		Relatively stable, in spite of changes in network membership	More unstable, unpredictable formal networks, more resilient informal networks (P5)	Higher risk when dealing with formal networks; higher resilience of the network if the MNE is embedded in the community

Table 6: BoP Network Characteristics And Implications For MNEs

(Rivera-Santos and Rufin 2010)

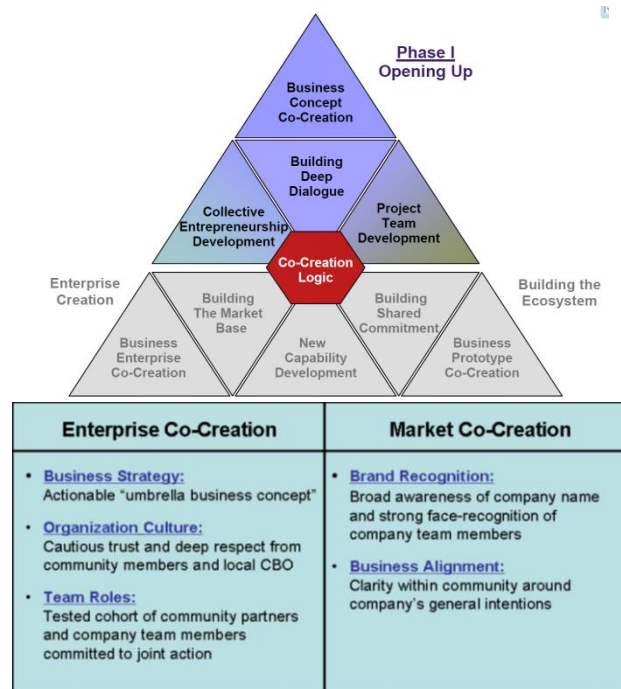
7.5 Four Phases In The Partnering Process

Prefield Phase

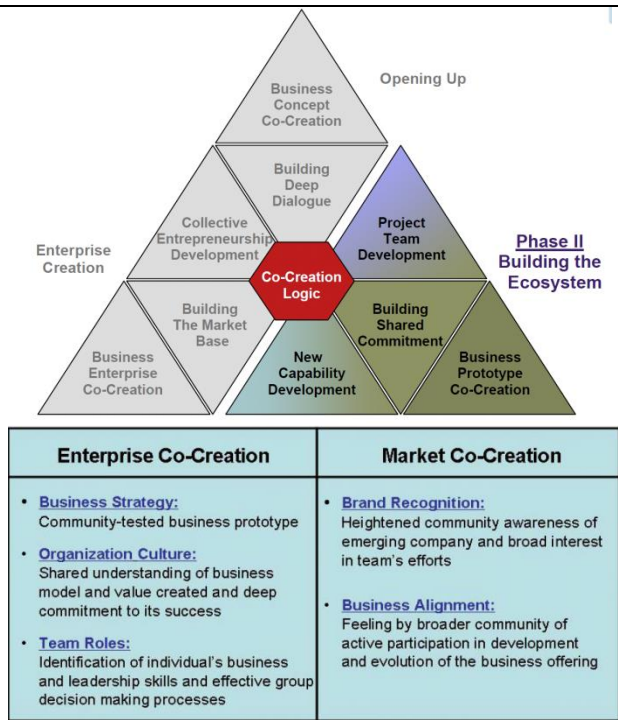
1. The selection of appropriate BoP project site(s);
2. The formation and training of a multidisciplinary corporate “field” team;
3. The selection of local community partners.
4. The creation of a “R&D White Space” supporting experimentation outside of the current business model and business development process.

Three Main Phases

- Phase 1: Opening up (eight to ten weeks per community)



- Phase 2: Building the ecosystem (approximately six months)



- Phase three: Enterprise creation (time span varies depending on its complexity, ca. one year of operations)

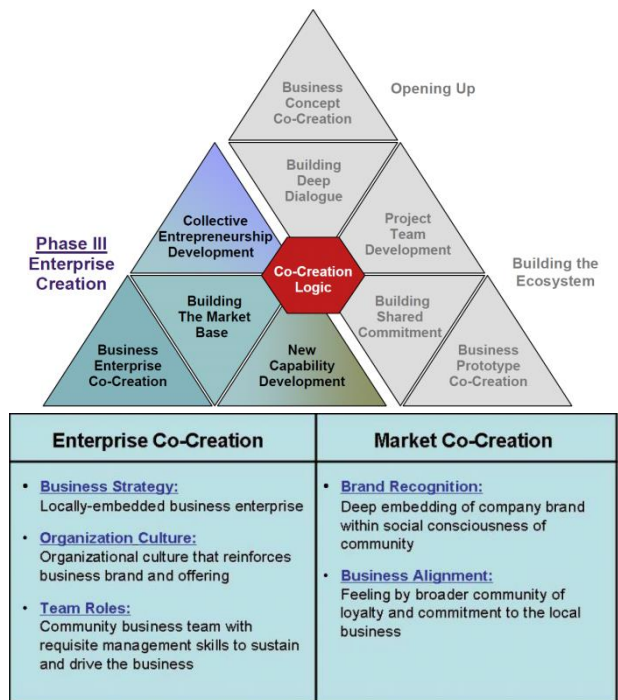


Figure 14: Partnership Process

(Simanis and Hart 2008)

7.6 Business Re-creation

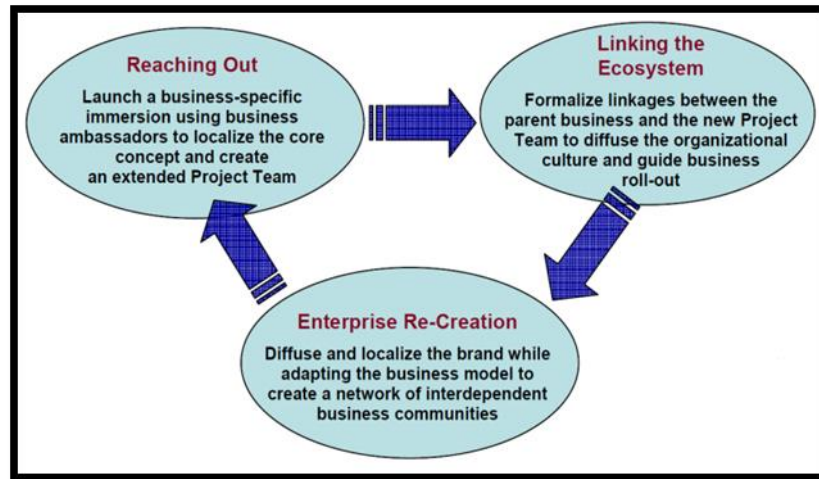


Figure 16: Re-Creation Of The Enterprise

(Simanis and Hart 2008)

7.7 Prahalad’s 12 Principles Of Innovation

The 12 Principles of Innovation	
1	The alterations in the customary price-performance relationship
2	The hybridization of technology for deployment in harsh environment
3	The scalability of innovations to make it accessible to a large number of people
4	The quest for sustainable and eco-friendly solutions
5	The development of alternate and rethought forms of functionality
6	Process innovation to reduce costs and increase the scale of operations
7	Deskilling work to accommodate the uneducated
8	The education of customers to new economic possibilities
9	The development of robust designs for hostile environments
10	Creative interface design to make technology accessible to the poor
11	The innovation of new distribution systems for low-cost products
12	The willingness of all relevant economic actors to move into the BoP Paradigm

Table 7: Twelve Principles of Innovation

(Prahalad and Hart 2002)

7.8 Corporate-NGO Collaboration For Developing Country Business Models

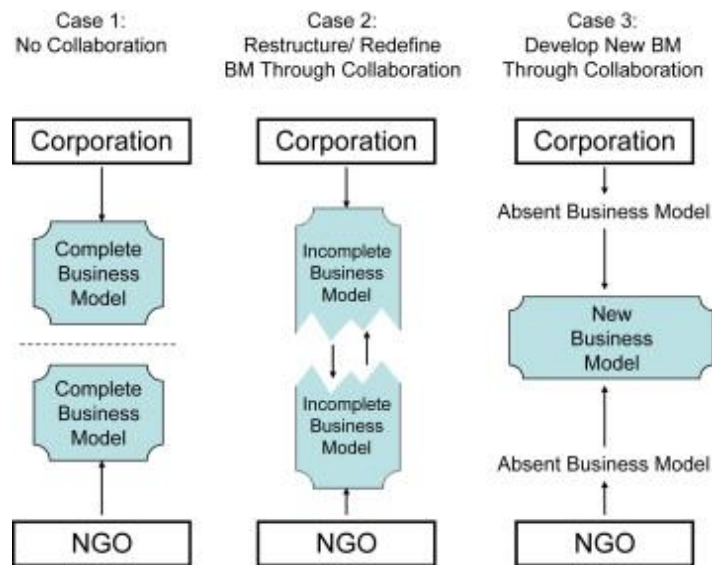


Figure 15: Corporate-NGO Collaboration For Developing Country Business Models

(Dahan et al. 2010)

7.9 Formal And Informal Channels Used By Firms At The Bop

Table III Formal and informal channels used by firms at the BOP

Variable	Case A	Case B	Case C	Case D
Firm controlled formal channel	Factory shop Van sales Distributors	Van sales Retail outlets Distributors Franchise Pie carts	Van sales Distributors Franchisee	Van sales Distributors Franchisee
Per cent contribution to total distribution	24	26	18	15
Other formal channels	Retailers Wholesalers	Retailers Butcheries	Retailers Wholesalers	Retailers Wholesalers
Per cent contribution to total distribution	14	16	29	34
Channel	Case A	Case B	Case C	Case D
Informal channels used	Women's club Buying clubs Tuckshops General market stalls Professional associations	Women's club Buying clubs Tuckshops General market stalls Professional associations	Women's clubs Buying clubs Tuckshops General market stalls Professional associations	Women's clubs Buying clubs Tuckshops General market stalls Professional associations
Per cent contribution to total distribution	62	58	53	51

Table 8: Formal And Informal Channels Used By Firms At The BoP

(Chikweche and Fletcher 2012)

7.10 International Marketing Communications Activities Targeted At The Bop

IMC activities	Case A	Case B	Case C	Case D
Above the line	Minimal radio Minimal print	Outdoor Minimal print	Television Print Radio	Minimal radio Minimal print
Per cent of IMC budget	21	18	38	28
Below the line	Wet sampling Women's clubs	Mobile advertising Wet sampling Women's clubs	Wet sampling Women's clubs Churches	Road shows Wet sampling Women's clubs Churches Schools
Per cent of IMC budget	79	82	62	72

Figure 16: International Marketing Communications Activities Targeted At The Bop
(Chikweche and Fletcher 2012)

7.11 Building Blocks - ToP Literature Review

7.11.1 Key Partners

As the business market becomes increasingly competitive firms depend on their suppliers. Cooperating with suppliers can enhance the ability of the company to meet customer's quality, flexibility and cost requirements (Black, Akintoye and Fitzgerald 2000). One of the key benefits of partnering with suppliers is the resultant synergy that fosters constant improvement in the key variables time, cost and quality (Chadwick and Rajagopal 1995). Lewis's (1995) found through his studies four key benefits from partnering with suppliers which include higher margins, lower costs, better value propositions for customers, as well as a larger market share. Other advantages identified by Lewis (1995) are quality improvements, design-cycle time reductions and increased operating flexibility.

The origins of partnerships can be found in transaction cost economics. The transaction cost theory (Coase 1973; Williamson 1975) states that transaction costs arise as costs incurred in making an economic exchange with another firm. Partnerships are advantageous and more efficient in such situations than internalizing transactions (Dussauge, Garrette and Prahalad 1999). Transaction costs can be divided into the three broad categories, search and information costs, bargaining costs and policing and enforcement costs (Dahlman 1979).

Yet, the reasons for entering partnerships differ and although partnerships have been common for decades, partnerships today have changed in nature due to the

highly competitive business environment. In general one can assume that firms enter partnerships because they promise themselves advantages and positive spillovers from them. Zain and Ng (2006) discovered several benefits of partnerships. For instance, he highlights the financial aspect of the business model, namely that bigger projects might be difficult to finance for small firms. Yet, Zain and Ng (2006) states that also medium-sized companies are more likely to match partnerships as a partner approach can uncover new markets for companies. Further one he states that partnering can be advantageously in terms of international operations as the language, legal and cultural barriers between the parts are reduced.

This is in alignment with the resource-based view of the firm, a theory describing a management device used to assess the available amount of a business. The online business dictionary (2013) embraces the theory as based on the idea that the effective and efficient application of all useful resources that the company can muster helps determine its competitive advantage. The advantage of partnering accrues for acquiring resources that the firm does not possess itself. This perspective is shared by Dussauge, Garrette and Prahalad (1999) who state that firms choose to enter projects with others in order to coordinate necessary skills and resources instead of carrying out a project or activity on their own, which would involve taking on all risks, as well as competition by themselves. Gattorna and Walters (1996) reinforce this assumption by highlighting the positive result of a partnership; enabling firms to improve the return on rare resources while minimizing risk. And indeed, one common incentive today for entering partnerships is to save R&D costs that are steadily raising (Hagedoorn, Link and Vonortas 2000) as well as to enhance organizational learning and foster innovation (Feller et al. 2013). MacBeth and Ferguson (1994) reinforce this point of view by stating that one of the main advantages of partnerships is the shortened learning curve which leads to reduced costs.

However, another view rather focuses on economic advantages of partnering in form of outsourcing. The partnership is used in order to pass non-core competencies and activities to an outside company. Outsourcing by MNCs in form of partnerships can be based on cost savings as low-income countries often have low human rights and environmental standards. Cost savings are based on the partnerships that are not sustainable for the partner in the low-income country.

(Abélès 2006). This happens for instance in form limited workers' wages or through the exploitation of low-income countries in terms of natural resources. Also MNCs may reduce competition and free enterprise and erode traditional cultures.

Consistent in the literature is the shared opinion that a successful partnership involves mutual trust, effective communication, and commitment from senior management, a clear arrangement and understanding of roles, consistency and a flexible attitude. An environment of trust and openness seems to be essential in order to fulfill a project efficiently and without conflict. (Black, Akintoye and Fitzgerald 2000)

7.11.2 Key Activities

Johnson, Christensen, and Kagermann (2008) define key processes as operational and managerial processes through which a successful firm delivers value in a way it can repeat and increase in scale, which may include such tasks as training, development, manufacturing, budgeting, planning, sales, and service. How a firm creates value across a broad range of industries and firms can be explained and analyzed by three distinct generic value configuration models, namely value chain value shop and value network (Stabell and Fjeldstad 1998) It becomes clear that the key activities are linked to the value proposition element.

Value Chain

Porter's (1985) value chain framework is a strategic analysis of an organization that uses value-creating activities (Dess, Lumpkin and Eisner 2008) and offers therewith a framework for an analysis of a firm's competitive strengths and weaknesses (Stabell and Fjeldstad 1998). In the value chain framework Porter (1985) distinguishes between primary activities and support activities. Primary activities are characterized as sequential activities of the value chain that refer to the physical creation of the product or service, its sales and transfer to the buyer, and its service after sale, in detail inbound logistics, operations, outbound logistics, marketing and sales, and service. Support activities either add value by themselves or through important relationships in combination with the primary activities or other support activities and include in detail the firm infrastructure, human resource management, technological development and procurement. (Dess et al 2008)

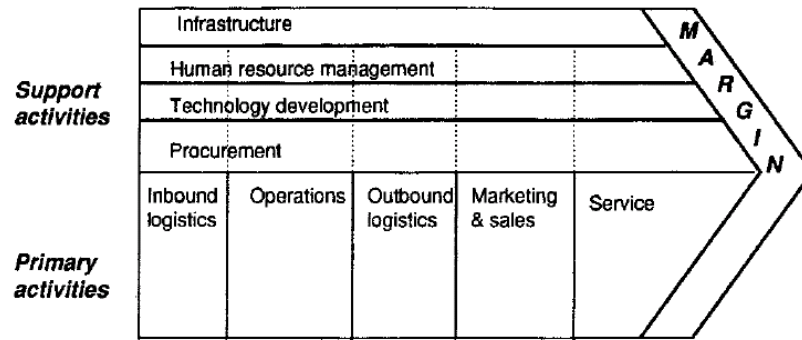


Figure 18: The Value Chain Diagram
(Stabell and Fjeldstad 1998)

According to Porter (1985, 1990), the activities of the value chain are valid in all industries. Yet, which activities are essential depends on the given industry.

Value Shop

As the value shop's value creation results from mobilizing resources and activities to resolve a particular customer need or problem, the key activities rely on an intensive technology and are accomplished in different ways as each problem is treated uniquely. Key activities are not sequential as in the value chain but cyclical and rather consist of key activities like problem-finding and acquisition, problem solving, choice, execution and control/evaluation. (Stabell and Fjeldstad 1998) The value shop does not distinguish between primary and secondary activities. The strong expertise of the employees who have more knowledge and information about the problem and are more specialized and trained to use tools in order to deal with the problem allows the value creation.

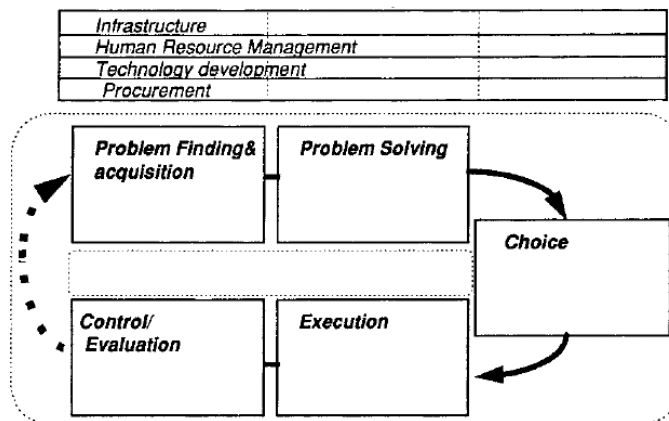


Figure 19: The Value Shop Diagram
(Stabell and Fjeldstad 1998)

Value Network

The Value Network concept describes firms that create value by facilitating a network relationship between their interdependent customers using a mediating technology. The interactivity relationship logic is there for neither long-linked nor cyclical, but proceeds simultaneously. The value network does not distinguish between primary and secondary activities. The key activities conducted are network promotion and contract management, service provisioning and infrastructure operation. (Stabell and Fjeldstad 1998)

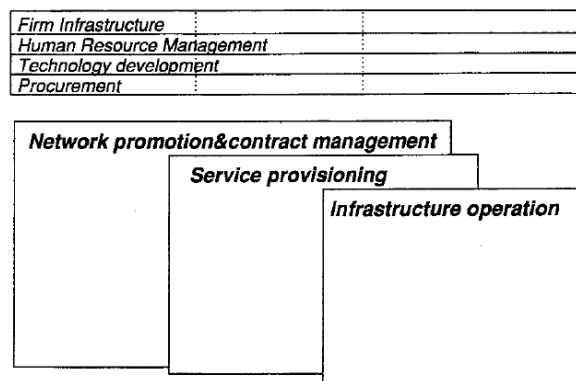


Figure 20: The Value Network Diagram
(Stabell and Fjeldstad 1998)

7.11.3 Key Resources

Johnson, Christensen, and Kagermann (2008) define key resources as assets such as the people, technology, products, facilities, equipment, channels, and brand required to deliver the value proposition to the targeted customer.

The resource based view of a firm combines both the internal analysis of a firm and external analysis of the industry and its competitive environment. In order to gain competitive advantage firms resources need to be evaluated in terms of how valuable, rare and hard to imitate or duplicate for a company's competitors. A sustainable competitive advantage incorporates all of these four attributes. Firstly, the resource must be valuable such that it exploits opportunities and neutralizes threats of a firm's external environment. Secondly, the resource must be rare among the company's current and potential competitors. Thirdly, it must be difficult to duplicate by competitors, which include the physical uniqueness, the path dependency, the causal ambiguity and social complexity. Fourthly, the resource must have no strategically equivalent substitutes. (Dess, Lumpkin and Eisner 2008)

Further on the resource based view of a firm separates firms' resources into tangible and intangible assets and organizational capabilities. Tangible resources are organizational assets that are relatively easy to identify, including physical assets, financial resources, organizational resources and technological resources. Intangible resources are more difficult to identify and are typically embedded in special routines and practices, including human resources, innovation resources and reputation resources. Competencies and skills that a firm employs to transform inputs into outputs are defined as organizational capabilities. (Dess, Lumpkin and Eisner 2008)

7.11.4 Value Proposition

Demil and Lecocq (2010) put value proposition front and center as one of three main components, along with resources and competences and internal/external organization, in their business model theory which they believe serves the single purpose of synthesizing a way to create value. Their view is that all other business model components or building blocks are set in motion to produce a proposition that generates value for consumers and in turn the organization.

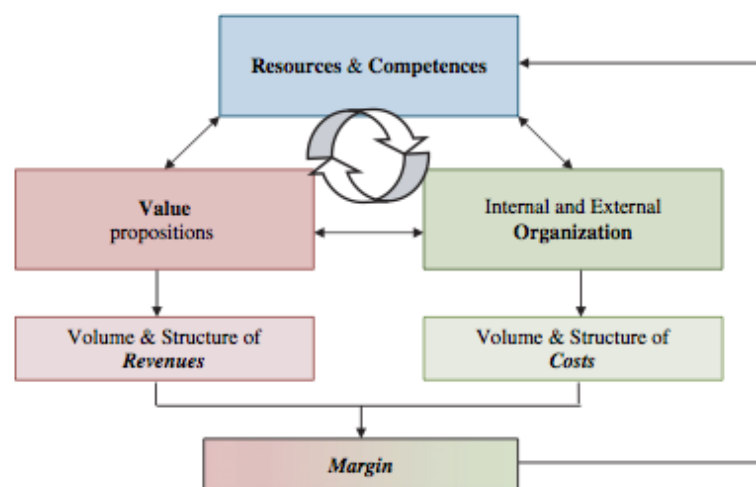


Figure 21: RCOV Framework: Main Business Model Components and Their Relationships
(Demil and Lecocq 2010)

The above model is a visualization of the components of “resources and competences (RC) to value or combine, the organization (O) of the business within a value network or within the firm boundaries; and the value propositions (V) through the supply of products and services - determine the structure and the

volume of costs and revenues of a business and thus its margin, and so, ultimately, its sustainability” (Demil and Lecocq 2010).

Gummerus (2013) underlines the importance of alleviating the ambiguity the value concept carries by dividing it into two streams: the value creation process and the value outcome. The first, which Osterwalder (2010) also discusses, involves the parties, activities and resources required for value creation, while the latter highlights the value outcomes that customers perceive. A main point of differentiation is that value creation is commonly continuous while value outcome is related to a specific point in time (Gummerus 2013).

Value	Creation Process	Outcome Determination
Aim to understand	How value comes to be (actions)	What value is and how it is perceived/evaluated (cognitions/feelings)
Value basis	Activities/resources/interactions	Customer reactions/experiences
Time Focus	Continuous	Transient
Result	Identification of how resources/activities/interactions create value	How much value is gained/what type of components value consists of/how to maximize customer evaluations

Table 9: Criteria For Distinguishing Between Value Creation
(Gummerus 2013)

A main critique of the concept of value proposition is that to date there exist competing conceptualizations of the concept and that no consensus of it exists. This may appear surprising since the concept which is weighed with such importance has yet to find common ground among value researchers. (Gummerus 2013) Leszinski and Marn (1997) go as far as to claim that value is one of the most misused terms in marketing and pricing. According to Sanchez-Fernandez

and Iniesta-Bonillo (2007), the ambiguity surrounding value is in regard its “definition, dimensions and measurements.” Gummerus (2013) puts forth that the major gaps in current value literature indicate the need for further research of the concept. She argues that because the notions that customer value as a concept lacks clarity there needs to be a shift in the logic of how value is created and that the interrelationship between value creation and value perceptions is grossly understudied.

7.11.5 Customer Relationships

Customer relationship management (CRM) is increasingly becoming an element of the business model which requires and deserves a great deal of attention (Chan, Ip and Cho 2010). Yourdon (2000) defines CRM as a philosophy which that anticipates customer needs by providing target customers with the right product at the right time, in the right place. As the cost of acquiring new customers is higher than retaining existing ones by a significant margin, firms are enticed to adopt CRM (Dyche 2002). Furthermore content customers create retention and loyalty which in turn enhances market share and business position (Chan, Ip and Cho 2010). Chan, Ip and Cho (2010) assert that building customer relationships is the key value creation activity of today’s business strategies and pursuing these relationships in the long-term is the end goal of firms. As such, being customer focused and attentive creates and delivers value, ultimately allowing firms to remain competitive.

Dawar and Chattopadhyay (2002) underline the key distinction between what the authors call a traditional and customer cultivating companies, the first of which pushes products and brands, the second which serves customers and customer segments. The authors argue that two-way and individualized or at least highly targeted communication is offered to the latter of the two forms. This form of strategy both challenges and provides firms with opportunity to distribute information and develop relationships via channels. (Rust, Moorman and Bhalla 2010)

Interestingly, Mayser and von Wangenheim (2012) raise the point of differential customer treatment and relationships in their work, claiming that many firms treat customers according to their profitability. According to their research, consumers reaction to nonpreferred treatment is more intense than that of preferred treatment.

This indicates that though fairness is considered an issue, firms should in fact employ differential treatment as consumers do not seek complete equality. This is a very valid point to consider in respect to customer relationships.

Bitner et al. (2012) bring forth the point that technology has profoundly changed the nature of customer relationships and service. Many company's customer relationship concepts were developed during a time when relationships were impersonal or in real time without the advantages of technology (Bitner et al. 2012). In recent years, technology has brought about profound changes in the nature of how companies relate to their customers. Further this point of view by underlining how technology has made it possible to outsource customer relationship management (CRM). Outsourcing means that one firm lets another firm perform activities that they originally performed within the firm and is made possible due to the development of a high speed, low cost, global communication and information network. Whether a company chooses to outsource their CRM or not, a company must take into account a number of issues when making this managerial consideration such as the supply-side versus demand-side effects of CRM outsourcing, the economics of CRM outsourcing versus CRM automation and so on.

7.11.6 Channels

Zook and Allen (2010) agree with Osterwalder's sentiment that channels are an important part of the core business. According to them, identifying the most important channel is one of the main tasks and challenges companies face in the market.

Zott, Amitt and Masa (2010) see that the drivers of product differentiation are policy choices, linkages within the value chain or with suppliers and channels and thus sources of value. Further they note that channels tend to change with time and as such it is important to keep abreast with developments and trends and use mobile e-services to illustrate their point.

7.11.7 Customer Segment

Segmentation has a long history which dates back to the 1950s and continues to remain relevant and valuable in the one-to-one marketing era of today in which companies essentially have the ability to address customers individually

(Osterwalder 2004). With few exceptions found to date, business model scholars appear to collectively agree that the customer segment is a highly important success factor in ToP activity.

Based on a ten year study of over two thousand technology, service and product companies from various industries, Zook and Allen (2010) conclude that growth strategies tend to fail to deliver value because they wrongly diversify from the company's core business. Zook and Allen (2010) state that competitive advantage is created by building market power. Further, the authors argue that customers, along with products, capabilities, channels and geographies, belong to the core business. As such the most potentially profitable customers must be identified.

The main takeaway from Zook and Allen's (2001) work is that market power results from building consistent loyalty in a well-defined customer segment. The authors underline that customer loyalty may be built in an existing customer segment as a competitive advantage or by identifying, possibly creating, a new customer segment and proceeding to dominate it with a product or service.

Hedman and Kalling (2003) agree with the importance of focusing on customers and highlight the importance of a favorable quality to price position in order to successfully target a specific segment and to compete within said segment. They argue that the key to success is to provide a customer-perceived quality in a product or service which directly relates to configuring and executing value chain activities and organizational structure effectively.

Cespedes, Dougherty and Skinner (2013) echo the focus required to select customers intelligently. As customers in essence represent a stream of orders for the sellers, their stream has a domino effect on business and is packaged with different transaction costs. These costs mean that the client segment and its requirements have an effect on upstream capacity utilization by the kind of capacity utilized (product mix) as well as how capacity is utilized (i.e. production lines) as well as the downstream post sale economics and organizational requirements. (Cespedes, Dougherty and Skinner 2013)

Cespedes, Dougherty and Skinner (2013) look at customers in the form of a spectrum in which one end has a spot market and the other solutions market. The spectrum of customers and opportunities are important because firms need to

recognize that they cannot operate across the whole spectrum but rather need to segment their target.

A SPECTRUM OF OPPORTUNITIES

Most markets present businesses with an array of customer opportunities. At one end of the spectrum are transaction buyers in what is essentially a "spot market"; at the other end are relationship buyers. To be successful, businesses need to align their selling program with the customer opportunities.

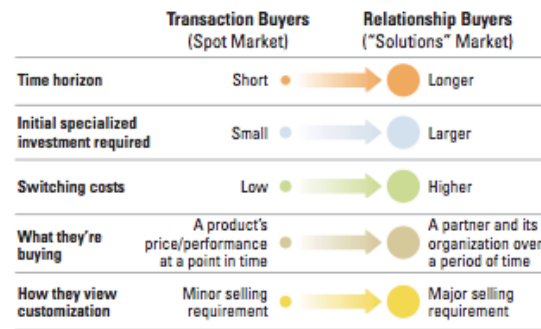


Figure 17: A Spectrum Of Opportunities

(Cespedes, Dougherty and Skinner 2013)

A common critique found among segmentation scholars is based on how customers are segmented. Currently demographics are used to divide people in groups and explain patterns based on values, attitudes and behaviors (Browne et al. 2013). This approach to attitudinal or behavioral segmentation, as Browne et al. (2013) explain does not account for commonly observed value/attitude behavior gaps. By suggesting segmenting customers based on a thorough understanding of their everyday practices, the writers put forth an alternative theoretical and methodological point of view. Changing the unit of analysis from 'individual' to 'practices' will provide a new perspective and bring to light new understandings (Browne et al. 2013).

Though it is logical that firms benefit from serving customers to the best of their ability and that they depend on customers to sustain their business, Hamel and Prahalad (1994) utilize "the tyranny of the served market" to refer to the harmful effects of being too eager to serve consumers. The authors argue that "although it is important to ask how satisfied my customers are, it is especially important to ask which customers are we not even serving" (Hamel and Prahalad 1994-111). Slater and Narver (1998) and Day (1999) echo this sentiment and caution against the pitfalls of being "customer-led" and "customer-compelled" Day (1999, 10,13) backs up his statement with the idea that being to market-driven can lead to

overlooking emerging markets.

Another spillover effect of firms being too customer oriented is allegedly a negative effect on innovation. Several scholars argue that firms who become too close to consumers are distracted from true innovativeness and thus limit themselves to incremental new products. The scholars Bennett and Cooper (1981) claim that this misplaced focus leads to uncompetitive “me-too” products rather than real innovations.

The research conducted by innovation guru Christensen and colleagues (e.g., Christensen 1997; Christensen and Bower 1996) has influenced this line of thinking strongly. They discovered that firms have a tendency to only pursue new technologies if they addressed the needs of their current customers. Utterback (1994, 196–97) interpreted these findings as follows: “Christensen counsels firms not to be so attentive to large and familiar customers. The demands of these customers can lead a firm down the garden path to spending royally on marginal improvements for older concepts, all the while ignoring customers in small but growing markets that support new concepts.”

7.11.8 Cost Structure

Despite the comprehensive existence of definitions of business models and its most important components, several authors agree on the fact that the economical element of a venture needs to be analyzed within it. Indeed, several authors share the view that the cost element can be seen as one of the core elements of a business model (Linder and Cantrell 2000). Markides (1999), Chesbrough and Rosenbaum (2000) and Dubosson-Torbay, Osterwalder and Pigneur (2001), just to name a few, include the financial aspect as an important element of a business model. Johnson, Christensen and Kagermann (2008) define the cost structure as direct costs, indirect costs and economies of scale. They establish a connection and dependency between the cost structure and the key resources as the cost structure will be predominantly driven by the cost of the key resources required by the business model. Osterwalder, Lagha and Pigneur (2002) describe the cost structure as the element that measures all the costs the firm incurs in order to create, market and deliver value to customers. Further on, the cost structure sets a price label on all the resources, assets, activities and relationships that cost the firm money. They further state that there is potential for cost savings in the value

creation process as the company focuses on its core competencies and activities and relies on partner networks for other non-core competencies and activities. Still relevant in the business model literature regarding ToP markets is Porter's (1991) theory about low-cost and differentiation strategies, illustrating one of the major differences between ToP and BoP literature in this field. The low cost path includes cutting costs as much as possible such that savings can be passed on to the customer in the form of lower prices. With a low cost strategy, a firm tries to differentiate its product in such a way that consumers are willing to pay a price premium.

7.11.9 Revenue Stream

The purpose of a business model is to synthesize a way of creating value in the firm which in essence is the stream that describes how an organization functions and creates revenue (Demil and Lecocq 2010).

Thanks to ICT companies have been able to diversity their revenue streams and adopt more accurate pricing mechanisms. These various pricing mechanisms have in turn helped firms improve their revenue maximization. (Osterwalder 2004) Klein and Loebbecke (2000) believe the Internet has had a big impact on both the pricing of products and services and also a new range of pricing mechanisms. In essence the Internet has opened the world of price comparison up to customers interested in it. According to Pitt, Berthon and Berthon (1999) the power has been and is slowly shifting from the customer being a price taker to being a price maker.

7.11.10 Sustainability

The term sustainability was first coined by the Norwegian Prime Minister Mrs. Brundtland (World commission on environment and development 1987). Several further concepts and thoughts have been developed since then.

The Triple Bottom Line

The concept of the Triple Bottom Line describes the goal of sustainability and has become increasingly fashionable in management, consulting, investing and NGO circles the past years. The intent of the Triple Bottom Line is that a corporations' ultimate success can and should be measured not just by the traditional financial

bottom line, but also by its social, ethical and environmental performance.

(Norman and MacDonald 2004; Dess, Lumpkin and Eisner 2008)

Corporate Social Responsibility

The term social responsibility expresses the expectation that businesses or individuals will strive to improve the overall welfare of society (Dess, Lumpkin and Eisner 2008). In practice, each corporate social responsibility theory presents four dimensions related to profits, political performance, social demands and ethical values (Garriga and Melé 2004). The evolution of the concept and definition of corporate social responsibility has developed in different phases. The theory has its origin in the beginning in the 1950s. Definitions expanded during the 1960s, but firms still denied the impact on the natural environment (Dess, Lumpkin and Eisner 2008). In the 1970s the influence of the theory increased and affirmative action was a high priority. In the 1980s more empirical research were conducted surrounding the concept leading to new, related concepts like for instance corporate social performance, stakeholder theory as well as business ethics theory. (Carroll 1999) Surveys indicate that there is a strong positive relationship between corporate social responsibility behaviors and consumers' reaction to a firm's products and service, which can be a reason for why the concept is misused for marketing efforts rather than implemented in reality for economically improvements.

7.11.11 Market Environment

The most popular theory for ToP operations, is the still actual framework of Porter's (2008) five forces analysis. By applying the five forces, companies can determine the competitive intensity and therewith the attractiveness of a market. The analysis both includes external and internal sources of competition which are divided as following: The threat of substitute products or services, the threat of established rivals, the threat of new entrants, the bargaining power of suppliers and the bargaining power of customers.

The SWOT analysis is a further tool that aims at identifying the key internal and external factors that are important to achieve a firm's business goal. The SWOT analysis divides into two main categories: The internal factor that includes a company's the strengths and weaknesses internal to the organization and the

external factors which includes the opportunities and threats presented by the environment external to the organization (Humphrey 2005).

In order to identify the market environment firms can also conduct a PESTEL analysis, used to identify the external forces affecting an organization. This is a simple analysis of an organization's Political, Economical, Social Technological and Environmental (Yüksel 2012).

7.12 Interview Guideline: MNCs Operating At The South African Bop

- Introduction to our Master research
- Introduction of Interview partner: General information about interviewees or organization: Profession, research field or history, structure and objective of organization
- What are your experiences from operating at the Bottom of Pyramid in South Africa?
- What are the challenges you've faced in South Africa? What are the opportunities?
- How do this challenges and opportunities affect the business model of companies?
- For operating at the Bottom of Pyramid in South Africa, could you name general success factors?

Key Partners

Brief explanation about the element “key partnerships”

- 1.) What are the most challenging parts of the element “key partnerships” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “key partnerships” you experience?
- 4.) How can you as a firm utilize these opportunities?

Key Activities

Brief explanation about the element “key activities”

- 1.) What are the most challenging parts of the element “key activities” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “key activities” you experience?

4.) How can you as a firm utilize these opportunities?

Key Resources

Brief explanation about the element “key resources”

- 1.) What are the most challenging parts of the element “key resources” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “key resources” you experience?
- 4.) How can you as a firm utilize these opportunities?

Value Propositions

Brief explanation about the element “value proposition”

- 1.) What are the most challenging parts of the element “value proposition” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “value proposition” you experience?
- 4.) How can you as a firm utilize these opportunities?

Customer Relationships

Brief explanation about the element “customer relationship”

- 1.) What are the most challenging parts of the element “customer relationship” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “customer relationship” you experience?
- 4.) How can you as a firm utilize these opportunities?

Channels

Brief explanation about the element “channels”

- 1.) What are the most challenging parts of the element “channels” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “channels” you experience?
- 4.) How can you as a firm utilize these opportunities?

Customer Segments

Brief explanation about the element “customer segment”

- 1.) What are the most challenging parts of the element “customer segment” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “customer segment” you experience?
- 4.) How can you as a firm utilize these opportunities?

Cost Structure

Brief explanation about the element “cost structure”

- 1.) What are the most challenging parts of the element “cost structure” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “cost structure” you experience?
- 4.) How can you as a firm utilize these opportunities?

Revenue Stream

Brief explanation about the element “revenue stream”

- 1.) What are the most challenging parts of the element “revenue stream” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “revenue stream” you experience?
- 4.) How can you as a firm utilize these opportunities?

Sustainability

Brief explanation about the element “social and environmental benefits”

- 1.) What are the most challenging parts of the element “social and environmental benefits” you experience?
- 2.) How can you as a company face these challenges?
- 3.) What are the biggest opportunities in the element “social and environmental benefits” you experience?
- 4.) How can you as a firm utilize these opportunities?

Market Environment

Brief explanation about the element “social and environmental costs”

- 1.) What are the most challenging parts of the element “social and environmental costs” you experience?
 - 2.) How can you as a company face these challenges?
 - 3.) What are the biggest opportunities in the element “social and environmental costs” you experience?
 - 4.) How can you as a firm utilize these opportunities?
-
- Comments/suggestions, especially regarding Osterwalder and Pigneur (2010)’s Business Model Canvas (BMC)

7.13 Interview Transcripts

7.13.1 Company A

Kan du begynne med å fortelle oss om prosjektet ditt?

Da må vi først ta for oss: hva er et prosjekt? Vi har business development i veldig mange områder. Vi snuser på et område så blir det prosjekt, så begynner project development, finansiering osv. Akurat nå har vi 3 prosjekter på gang i Sør Afrika.

Vi vil gjerne ta deg gjennom oppgaven vår og hva vi egentlig holder på med. Vi har tatt for oss Alexander Osterwalder's business model canvas med ni building blocks: key partner, key activities, key resources, value, relationships, channels, clients, cost structure and revenue streams. Den har vi utvidet med noen flere blocks og målet vårt er å teste den i mot din erfaring i Sør Afrika. Vi ønsker å forstå hvordan du og dere opplever de forskjellige building blockene i deres arbeid.

7.13.1.1 Key Partners

Kan du fortelle om deres key partnerships? Ufordringer? Muligheter?

Key partnerships må ordnes i en tidlig fase. Vi må finne riktige partnere å gifte oss med, hvis du vil. Dette er en veldig viktig aktivitet som skjer tidlig, før prosjektet starter. Vi må fordele ansvar og gevinst. Det er viktig å være profesjonell ovenfor partnerene våre. Dette er en suksess faktor. Man kan ikke gå inn i et marked uten lokale partnere fordi man må jo forstå det lokale samfunnet. Hvordan finner eller fant dere partnere?

Via netverket vårt. Vi ble introdusert av folk vi hadde kontakt med. Vi dokumenterer og skriver kontrakt med partnerene våre. Man må besytte seg selv, være formell men harmonisk. Vi gir aldri bort noen form av eierskap. Vi har veldig mange forskjellige type partners. Dere kan lese om dem i presse meldingene våre på nettsiden.

7.13.1.2 Key Activities

Hva er deres key activities i Sør Afrika? Hva har utfordringene og mulighetene vært?

Vi har ca.2000 aktiviteter som må bli gjennomført og derfor er planlegging success faktor nummer en. I Sør Afrika er staten veldig involvert og det er kanskje

den største forskjellen med tanke på andre prosjekter. Prosjektet fokuserer på build quality control. Fra et ingeniørs perspektiv er prosjektet likt som alle andre men vi må huske på det bureaukratiske elementet. I Sør Afrika er det lokal context som man må ta hensyn til.

7.13.1.3 Key Resources

M: Kan du fortelle oss om deres key resources? Hva er utfordringene og muligheten dere har sett innenfor denne building blocken i Sør Afrika?

Dette punktet ligner infrastructure blocken eller channels. Vi hadde hørt at de lokale var fattige, drakk mye og at de hadde lite kunnskap og arbeidskapasitet. Vi hadde hørt forferdelige historier og mareritt om hvor late og vanseklige de var så vi var forberedt på tung opplæring. Men det viser seg at de var og er utrolig produktive. Vi lager opp mot 1 mega watt modul per dag og det er veldig mye. Arbeidet er lett men veldig presist og nøyaktig. Solens energi can bli brukt på tre måter: solar heat (direkte varme), mirror concentrate energi i en generator og photo moduls. Det finnes tre marked og tre business modeller: distributed (rooftop), centralized (ground) og off-grid (isloated grid). Vi bruker en centralized business model. Vi har hatt ingen uhell eller problemer og vi ligger faktisk foran skjema med tanke på tid. I Sør Afrika har jeg jobbet med omtrent de beste sub-suppliers noen gang. Erfaring er bedre enn de fleste jeg har hatt i Europa. Vi har også ansatt nyutdannede ingeniører, noe vi var litt nervøse for, men det har gått veldig bra. Alt i alt er vi veldig fornøyde med våre key resources i Sør Afrika. Jeg vil og nevne at prosjektet vårt er i grunnen globalt; det er mennesker fra alle mulige land som jobber for oss i Sør Afrika. Det er globalt selv om det skjer i Sør Afrika. Jeg er selv Sør Amerikansk og Norsk. Vi ser på prosjektet som gobalt.

7.13.1.4 Value Proposition

Neste building block vi ønsker å gå gjennom er value propostion. Hva har dere opplevd som utfordringer og som muligheter på dette området?

Den største utfordringen i Sør Afrika er å definere suksess og verdi. I Europe og den vestlige verden er suksee ofte definiert i sammenheng med IRR (internal rate of return) men i Sør Afrika er ikke dette tilfellet. I Sør Afrika må man være 'economically viable' altså forholde seg til statens forventninger innenfor Local Economic Development. LED er lover som kom etter apartheid og tilsier at flere mørke personer skal inkluderes og at selskaper skal være sustainable. Tro det eller

ei man blir målt på hvor mange svarte som jobber i bedriften eller på et prosjekt. Dette er en utfordring fordi det er en helt uvant måte å tenke på for de fleste, spesielt siden man er vant til at IRR er verdien man blir målt på. Itillegg til rasen av ansatte så blir man målt på hvor mye lokale produkter man bruker. Du skal for eksempel ha x% Sør Afrikanske produkter i bedriften din. Slikt blir man 'audited' eller revidert på i en meget formell prosess.

7.13.1.5 Customer Relationship

Da beveger vi oss til neste building block som er Customer relationship. Hva kan du si om det?

Det jeg vil si er at Stakeholder Relationship er mere passende for oss. Vi jobber med local, municipal og provincial government, samt sub-suppliers og Departments som den av Labour og den av Environment. Alle disse forskjellige aktørene er involvert i et prosjekt. Vi kan få besøk av Department of Environment for å sjekke og passe på at vi ikke for eksempel forurenser. Vi kan også få besøk av Department of Labour for å se om våre ansatte har riktig klær og utstyr som for eksempel hjelmer. Dermed er det feil for oss å fokusere på kundene og vårt forhold til dem men heller stakeholder management. Det er uhyre viktig at vi har gode relasjoner til alle stakeholderene i prosjektene våre.

7.13.1.6 Channels

Neste området vi vil snakke om er channels eller kanaler. Hva er utfordringene og mulighetene deres ser innefor dette området?

Jeg hadde hørt at veiene og infrastrukturen i Sør Afrika var helt forferdelig men jeg har blitt veldig positivt overrasket over hvor bra de egentlig er. Det med veier som kanaler har ikke vært et problem i det hele tatt. Selvfølgelig varierer kvaliteten på veiene og ut på landet/små steder så er det grusveier i stedet for asfalterte veier men stortsett så er veiene gode. Områdene vi opererer i i Sør Afrika er iallefall veldig bra. Telekommunikasjon derimot er en annen sak. Vi jobber blandt annet i Kimberely som ligger i et ørken område. Der er veiene lange og flate men området er ikke prioritert av telekommunikasjon bransjen/selskaper. Det har vært en stor utfordring med tanke på kommunikasjon men vi har heldigvis fått løst det.

Hvordan har dere klart det?

Siden det ikke alltid er dekning tilgjengelig så har vi måttet kjøpe utstyr for å kunne kommunisere. Vi har for eksempel kjøpt walkie talkier og en satelitt link. Byggeplassen er 1km ganger 1.3km med 560 ansatte så vi har til og med måtte bygge private linjer slik at stedet kan kommuniseres med.

M: Hva med markesføring kanalene?

Det er ikke nødvendig for oss å markedsføre fordi vi selger til staten men vi må passe på og beholde vårt renomme. Vi vil bli bergnet som 'clean and ethical' så da må vi passe på at alt vi gjør er i tråd med det. De som trenger å vite om oss, altså stater og politiske kontakter, vet om oss. Vi jobber gjennom kontrakter som ivaretar oss som brand. Jeg er personlig veldig imponert over Sør Afrika og har virkelig forelsket meg i landet. Prosjektet vi jobber med her i Sør Afrika er like stort som hele Norge.

7.13.1.7 Customer Segment

Da begynner vi med den første building blocken av Osterwalder's model, customer segment. Hvordan velger dere målgruppen deres i Sør Afrika? Hva er utfordringer og hva er mulighetene innenfor dette området?

Vi er veldig fokusert og spesifikk i dette området siden vi selger strøm til en national partner som selger det videre for oss. Dermed er dette området ingen utfordring. Vår målgruppe er alle som er interessert i strøm men vi når jo denne gruppen gjennom andre aktører. Vi selger strøm til Sør Afrikas tilsvarende Statnett, med andre ord selger vi til et utility company. Det er lett å identifisere hvem kunden er. Strøm markedet er vanligvis regulert og derfor blir det ikke som å selge/kjøpe et slutt produkt. Det politiske miljøet er veldig involvert i avtaler og det ofte komplekse politisk miljø gjør concession prosessen meget inviklet. Igrunnen selger vi til et helt politisk system. Jeg synes Sør Africa kan være et eksempel på hvordan man burde sette opp strøm/energi modellen til et land. Landet har satt tydelige mål på hvor mye fornybar energi de skal ha så de kan erstatte kull energien sin. Slå opp RRIPP South African for å lese mer om dette. Dere kan også se på www.eskom.com.za/c/73/info-siter-for-ipp

7.13.1.8 Cost Structure

Kan du fortelle om deres cost structure i Sør Afrika?

Dette er linket til key partners og project development. Hvis du starter et prosjekt uten at alle detaljene er på plass så kommer du til å ha problemer senere i

prosjektets liv. Tenk på portefølje, gateways, criteria og vær spesifikk. Pass på at et prosjekt fyller alle kriteriene det trenger, formelt og offensivt.

7.13.1.9 Revenue Stream

Kan du fortelle oss om deres revenue stream i Sør Afrika? Hvordan forholder dere dere til det?

Jeg føler meg privilegert som jobber i et selskap som tar dette så seriøst. Project Development fasen tar seg av dette fordi vi velger aldri å gå videre med et prosjekt som ikke er lønnsomt. Uten garantert revenue blir det ikke noe prosjekt. Vi er som sagt ikke i consumer market så når et prosjekt begynner så har vi for eksempel 20 års kontrakter med garantert profit. Så lenge solen skinner så har vi gevinst på prosjektet vårt og heldigvis er 'the sun always shining' i Sør Afrika. Dette er vår value proposition. Men husk, prosjektet er billig å drive men dyrt å invisere i.

7.13.1.10 Sustainability/Market Environment

Hva er deres forhold til Triple Bottom Line? Sustainability?

Den Sør Afrikanske staten sier veldig tydelig hva et prosjekt må inneholde for å få grønt lys. Du får ikke det vi kaller concession uten 'positive environmental impact' og 'local economic impact.' Sør Afrika er veldig god på miljø. De har verdens fineste national parker. De har en naturlig og innebygd bevissthet og holdning til miljøet. Slå opp Environmental Impact Assessment - det finnes både soft og hard benefits. Vårt vision og mission er 'improving our future' for individuals, company and society. Vi har fire viktige punkter: predictable, driving results, change maker og working together. Vi er ekstra opptatte av miljø i og med at vi er i fornybare energi bransjen. Vi nullstiller 125,000 tonn CO2 i Sør Afrika årlig. Det betyr vi sparer samfunnet for 24,000 personlige biler i året.

7.13.1.11 Critique Of The BMC

Hva synes du om Canvasen? Mangler den noe? Har den noe som er unødvendig osv? Vi må tenke på hva en business model er. Er det et konsept eller er det å lage noe nytt? Min hovedkritikk at den ikke tar for seg tids elementet. Den viser ikke forskjellige faser over tid. Hva skjer om ting forandrer seg underveis? Hvordan vises det? Den mangler dynamikken av tid. Man har jo forskjellige fokus i forskjellige faser og det gjenspeiles ikke i denne modellen. Faser som for

eksempel intro/establishment, project development, construction/installation og operations. Det andre jeg vil nevne er at det burde inkludere stakeholders, ikke bare customers. All faser i selskapet mitt inkluderer lokale partnere. Jeg har noen presentasjoner jeg vil dele med dere men jeg må forhøre meg litt om hva jeg kan og ikke kan dele. Dere burde slå opp Prince 2 model og PMI model for å se eksempler på modeller som inkluderer tidselementet. Alle building blocksene i modellen deres er viktige. Man må vurdere og bruke dem alle for å unngå problemer. Alle fasene trenger hverandre men man trenger å vise kriterier som tar deg fra en fase til en annen. Noen ganger så kan man eller burde man ikke ta prosjektet videre så det er viktig å etablere milestones med penalties. Canvasen viser ikke hvem som har ansvaret for å ta prosjektet fra en fase til den neste og hva straffen er hvis man ikke holder seg innenfor de rammene som har blitt satt. Våre prosjekt beveger seg lyn raskt. Prosjektet i Kalkbut bruker 200 millioner Euro i året. Derfor er det viktig med en 'check list' og at man tar tid i bruk som en ramme. Dette er jo selvfølgelig anderledes for de som seller til forbrukere. Jeg lurer på om man kan ha samme model for et prosjekt basert og et forbruker basert marked?

7.13.2.12 Comments/Suggestions

Tusen takk.. Dette har vært spennende og lærerikt for oss.

Dere må bare ta kontakt hvis det er noe mere dere lurer på. Og så vil jeg veldig gjerne se og godkjenne hvis dere skal sitere meg.

7.13.2 Company B

I have worked in Africa for 5 years as a technology provider and started with my current company in 2009 to develop and manage the brand in South Africa.

7.13.2.1 Key Partners

We develop different strategies for different partners, depends on company.

Overall we work very well in partnerships. Our partners include among others local South African agencies whom we share revenue with. A main challenge is that technology advances very quickly. We face this by solving case by cases.

The key is to find the right partner who you can work well with. We never give exclusivity to avoid offending people. We operate with both formal and informal contracts and rely on word of mouth. Partnerships are complex but very

important. Partners often have their own agenda. A major issue is that we often make contracts but the formalities are not upheld.

7.13.2.2 Key Activities

No specific comments/May have touched upon in other building blocks

7.13.2.3 Key Resources

Main issue is that we don't really have any resources which is a huge challenges in terms of delivery. I mostly skype and e-mail because our human resources capacity is very low and competition is hard. We face these challenges poorly. I stress because I work a lot, too much probably. The pipelines are increasing but there's no help to be had from head office. We had a situation earlier this year where we employed a sales woman who turned out to be very wrong for us and it cost us big time. It actually created more work for me than it alleviated me. I also try to generate as little as possible by never printing, using as little resources as possible, recycling and sharing my office space.

7.13.2.4 Value Propositions

Our biggest challenge with regards to value proposition relates to cost. Consumers do not know or understand how much it costs to use a product. There is a constant pressure to provide our product or service at an affordable rate. We rely on customer experience and word of mouth for our marketing and to increase our value proposition. At the end of the day it is essential provide a product of good quality which speaks for itself. The main opportunities we face in South Africa are that we've been present in the market for a long time and we are far ahead of our competitors. Furthermore, we have a great team which supports each other. We also have to define and make it clear to our clients what and how our product works. We have a fairly sustainable model in which we uphold a 'do it yourself' mentality. Our model can be replicated with license and used by others like the local population. Our solution is scalable and cost effective, we try to make as many sales as possible. We demonstrate its use and the value in it.

7.13.2.5 Customer Relationships

With regards to customer relationships, the biggest challenge is getting face time with people. People often don't arrive or are delayed. Furthermore there are often

new people in positions which you previously had a relationship with. It's often hard to find and speak to the right people. As well, there is blurred line between responsibilities. People do not necessarily do the tasks/things which their role dictates. For example a marketing professional might have some financial tasks and responsibilities and vice versa. I do a lot of e-mailing and what I call the dartboard effect, disseminating many e-mails in hopes of getting some positive response. The opportunities lie in that any and everybody is a potential customer. It simply boils down to budget and scalability. There's a challenge in fostering a relationship and being able to alter a mindset or environment.

7.13.2.6 Channels

The mobile network in South Africa is growing tremendously but communication is a big challenge for me. There's a unique opportunity right now to market through many, expanding channels and setting yourself apart by doing something out of the norm. It is hard to find the right players in the market to work with. I essentially operate as a one man team and rely heavily on networking. I use the web, e-mail and network at events and conferences. Furthermore, positioning the product is a great challenge. As for challenges, it is as mentioned difficult to be a one man shop. The industry is growing and I can't keep up by myself. The customers are often fragmented, in remote areas which requires a lot of time to travel for me. I travel to educate customers. Often very simple things which we consider common knowledge needs to be explained in simple terms.

7.13.2.7 Customer Segments

The challenges and opportunities in the customer segment block involves distinguishing between publisher and brand. We need to establish a strategy, have the client agree and sign off and then operate as a consultant for them. Our customers include brands, companies and non-governmental organizations. There is an enormous opportunity in the mobile industry as the growth of penetration is incredible. It is an unsaturated market where phones are used for all aspects of life such as news, sports, weather and searches.

7.13.2.8 Cost Structure

Our challenges around cost structure isn't really the cost itself but rather the lack of time. We have start and office costs so my job involves prioritizing and finding

the right balance. I am always looking to keep cost down and to scale the business across South Africa and into other countries as well. My job is to grow the business. Focus on long term revenue, profit must develop over time.

7.13.2.9 Revenue Stream

A main challenge on the revenue front is finding new clients. Revenue is dependent on sales and actually, highly dependent on whether or not a partner pays. Revenue streams are very insecure.

7.13.2.10 Sustainability/Market Environment

No specific comments/May have touched upon in other building blocks

7.13.2.11 Critique Of The BMC

No specific comments/May have touched upon in other building blocks

7.13.2.12 Comments/Suggestions

No specific comments/May have touched upon in other building blocks

7.13.3 Company C

Jobber med energiverk og leverer løsning til for eks. strømbrudd. Produktene våre reduserer tiden ved strømbrudd. Vi begynte i Afrika tidlig på 1990 tallet og eksporterte til Afrika, først Tanzania og Uganda så Sør Afrika fordi vi fikk dispensasjon fra UD, og dermed tillatelse til å jobbe med Sør Afrika. Internt (20 ansatte) jobber med produkt utvikling og markedsføring, produksjon med underleverandører, forhandlere selger til land hvor de er representert Det ble aldri noen stor omsetning i Sør Afrika så da byttet vi med ny forhandler/distributør. Vet ikke om dere er informert men den SA staten har et system som for eksempel gir poeng for hvor mange svarte du har ansatt osv. Disse reglene kom etter apartheid.

7.13.3.1 Key Partners

En god forhandler er kritisk. En som har relasjoner og kjenner markedet trengs for selskapet. Det var utfordringen som vi fikk hjelp av Innovasjon Norge til å

håndtere. Å bruke IN for å finne shortlist var løsningen. Muligheter ligger i at det er et stort marked, et marked som inviterer i elektrisitet og jobber med å få strøm til folket. Det finnes store muligheter i markedet takket være partnerships. Vi har brukt de mulighetene som var i Sør Afrika til å lykkes. Partnerships er veldig viktig fordi selskapet mangler kunnskap om landet, det har man jo naturligvis i Norge og det nordiske markedet. Helt klart viktigere i Sør Afrika enn når man for eksempel jobber med Sverige. Det potensielle problemet er at de har en veldig entreprenør holdning i SA og tenker ofte "trenger vi nordmenn til denne tjenesten/produktet?"

7.13.3.2 Key Activities

No specific comments/May have touched upon in other building blocks

7.13.3.3 Key Resources

Utfordringer med nøkkelressurser: utvikling av kompetanse er vårt viktigste element. Vi trenger folk som kan utvikle produktene som vi og markedet trenger. Det er ikke noe mer problematisk å få tak i det vi trenger i Sør Afrika enn andre marked vi opererer i. Kjennskap til distribusjonsnett og hvordan det driftes er en annen nøkkelkompetanse vi trenger men det er ingen store utfordringer med dette i Sør Afrika. Er dette en mulighet også? Ja det finnes bra produktutviklere i Sør Afrika også. Vi jobber med et prosjekt som tar i bruk lokale resurser. Vi har ingen spesielle tiltak med miljø i forhold til SA. Hva med skreddersydde løsninger; er det sant for dere? Nei det er nok mere for forbruker segmentet. Spesielle krav fra distribtører og staten, til en viss grad må produktet designes for markedet. Sør Afrikanerene er flinke til å beskrive og fortelle hva de trenger og hva som er nødvendig. Nye problemstillinger kommer opp takket være dette.

7.13.3.4 Value Proposition

Utfordringer: Ikke alle marked forstår elektrisitet. Verdien av produktet må være relevant for markedet du skal inn i. Eskon har hatt problemer med å lage nok elektrisitet og å transformere det til fuket. Forbedre distribusjon mot forbruker er siste prioritert. Dårlig infrastruktur i staten og energiverket hadde andre problemstillinger som prioritert. Mange problemstillinger som ikke er løst i SA. For eksempel, i SA ødelegger folk linjer for å selge kablene på skraphaugen. Veldig anderledes hverdag fra den vi har i Norge. Derfor lager vi utstyr som

hjelper dem å advare eller forhindre tyveri av linjer. Vi har vært flinke til å tilpasse tjenesten til landet og dens behov. Leverings kvalitet og presisjon har blitt nye fokus av Eskon. Prioritet er anderledes, utfordringer er tilpasning i forhold til endringer. Vi jobber med partnere som hjelper oss å forstå markedet. Å ha en forhandler hjelper veldig. Nettverket består av både staten og lokale bedrifter/aktører.

7.13.3.5 Customer Relationship

Forholdet er til forhandlerene og så via dem til forhandlerenes kunder. Kunder er opptatt av at produktet fungerer i deres miljø så vi har mange test og pilot prosjekt. Vi tester mot konkurrenter for å få tillit og tiltro. Dokumentasjon om at produktet fungerer som det skal og at det er best er veldig viktig i Sør Afrika fordi terskelen for å komme in er meget høy. De er strukturert og grundig i denne biten av businessen dems. Du kan ikke levere dritt for å si det sånn. Forholdet til forhandleren er litt anderledes. Generelt er det høyt tempo på business i SA i forhold til avslappet nordmenn. Der jobbes det på en mere amerikansk måte med litt indisk forretningskultur. Mye og intense forhandlinger. Forhandleren vår har faktisk indisk avstamning. Relasjon og tillit i forhold til forhandlinger er kritisk. Kulturen er veldig anderledes enn i Norge og man må stole på forhandleren. Det ser vi på som en stor utfordring. Risiko for å bli kopiert av andre er stor. I indisk kultur er det høy takhøyde for kopi. Man må være varsom. Man burde forsøke å være i Sør Afrika ofte, fysisk og personlig. Dermed bygger man tillit osv. Det er en løsning på problemet fordi man kan ikke fjernstyre et så stort marked.

7.13.3.6 Channels

I Afrika er Sør Afrika på topp når det gjelder vei nett/vare distribusjon. Vi har ingen problemer der. Vi erfarer ikke problemer på den fronten. Velutviklet leverandør industri, gode elektroniske produsenter, gode muligheter for støting av plast osv. Ikke noe problem å produsere varene vi trenger lokalt. Infrastruktur generelt er stort; jeg er faktisk overrasket over hvor bra tilbudet er. Ingen problemer fordi produktene installeres over store geografiske områder. Det tar selvfølgelig lengere tid enn i andre land men vi tror og mener det går så fort som det muligens kan i Sør Afrika.

7.13.3.7 Customer Segment

Utfordringer: Begrenset kundekrets, jobber mot elektriske distributører, altså de som eier linjene. Både statlig (Eskon) og munisipale eiere. Lett å finne dem, veldig organisert. Niche bedrift så vi har bare 10 talls kunder å pitche til. Lett å identifisere kundene. Muligheter: Sør Afrika er veldig greit marked med tanke på å komme inn og få kontakt. Innovasjon Norge har et velfungerende kontor i SA. De hjalp oss å finne ny distributør når vi var misfornøyde med den gamle. Veldig bra kontor med hjelp til å arrangere møter. Det er nok større problemer i andre land, spesielt andre land i Afrika. Andre afrikanske land er nok vanskeligere å operere i. Å være fra Norge har vi opplevd som å være veldig positivt. Norske bistandsmidler hjelper mange i Afrika, noe som mange vet. For eksempel en business man som fikk utdanning takket være norsk støtte, vil gjøre hva som helst for en norsk bedrift som trenger hjelp.

7.13.3.8 Cost Structure / Sustainability

Utfordringer: På noen produkter blir marginene utfordret. I Sør Afrika går dette på anbud. Det finnes 4-5 globale aktører hvor vi er en av dem inne for vårt område. Funksjonalitet og at det fungerer er viktigere enn diskusjon på pris. Kvaliteten har vært viktigst. Muligheter: Lokal sourcing, mye av det vi lager produserer i Latvia, Norge og Kina. I Sør Afrika finnes det bra underleverandører i alle områder og de trenger produksjon så det ser vi på som en stor mulighet. Det kommer inn på sosial welfare biten. Det er en tendens til å jobbe med for mange produkter og i for mange land. Vi lager produkter som har stor nedslags felt så på det området er ikke vi best i klassen, dessverre. Vi har ca. 40-50 million kroner omsetting og 30 talls land forhandlere på verdensbasis. Politisk strøm forsyning, da slipper man diesel drevne aggregatører som ikke er bra for naturen. Tilgang til kraft stenger strømforsyning og da blir det jo mye generator drift utslipp. Alle virksomheter er avhengig av stabil strømforsyning. Lite bidrag men overall er vi en del av sustainable development. Produktene hjelper oss å slippe kostbare oppgraderinger av nettverket for å forsikre kvaliteten.

7.13.3.9 Revenue Stream

Utfordringer: prisene har vært fornuftig men utfordringer er betalingsevne. Likviditet hos forhandleren er ofte problemet. Business folk/forhandlere holder på veldig mye på en gang, mange baller i luften. Utfordringen er derfor hvor mye

risiko tør du ta på og at det er veldig usikker revenue strøm! Løsningen er at man bruker banken (letter of credit) i slike usikre marked. Må være en viss kapital i selskapet du forhandler med. Dette utfordrer business filosofien vår. Vi kunne kanskje tenkt oss en aktør i markedet. Forhandleren vår driver for eksempel et suppekjøkken ved siden av, det er velferds orientert og fokusert. Har tenkt på det og orientert oss om å flytte produksjon til SA fordi vi tror kvaliteten vi kan få i SA er like bra.

7.13.2.10 Sustainability/Market Environment

No specific comments/May have touched upon in other building blocks

7.13.2.11 Critique Of The BMC

Jeg liker modellen. Vi holder mye på med gamle Porter, 4 Ps så analysen er interessant. Afrika generelt er et veldig interessant marked. Det er synd at ikke flere norske er aktive der. Det er en voksende økonomi og det er mye smarte ting som skjer. Det er meget raskt utvikling i Sør Afrika. Jeg håper flere prøver seg i markedet. Korrupsjon eksisterer men det har vært oppriktig interesse for produktene. Vi har aldri blitt spurt 'whats in it for me?' type spørsmål. Åpent og ryddig det som foregår, i alle fall i vår erfaring.

7.13.2.12 Comments/Suggestions

No specific comments/May have touched upon in other building blocks

7.13.4 Company D

Bakgrunn

Selskapet ble grunnlagt 2009, fra forskningsmiljøet. En liten gruppe høyt skolerte technogater prøvde å finne løsning på utfordringer som jernbaneindustrien har hatt lenge. Vi la ingen strategi eller planlegging. I 2010 ble vi spurt om å se på et prosjek og selskapet ble rett og slett dette prosjektet. Jeg har forsvars bakgrunn samt ledelse og administrasjon, og har bygd opp selskaper både internasjonalt og nasjonalt. Teknologien de satt på hadde stort potensiale men hvordan får man det ut i verden? Lage eget selskap, selskap i mange land eller distribuere via partnere? Installasjon, vedlikehold, produksjon er tjenester vi kjøpes for da slipper vi overhead cost, etablerings kost, alt fra rekruttering til personal behandling, ingen lokal presence.

Vi har fokus på det vi er gode på og har implementert med stor suksess.

I november 2011, kom Innovasjon Norge med et program for Sør Afrika som vi fikk delta i. Vi er velsignet med å ha et etterspurt produkt. Jeg gjorde det klart at jeg ville kun snakke med beslutningstakere. Vi var en av seks bedrifter som IN tok med ned til Sør Afrika. Vi var den eneste bedriften som kom tilbake til Norge med noe håndfast. Kundene våre er stort sett offentlig forvaltning, som i Norge er Jernbaneverket. Du eier bilen din, staten eier veien. Jernbaneverket eier infrastrukturen og skinene imens NSB kun eier togene.

Vi fikk møte med TransNett (Jernbaneverket i Sør Afrika) og de så et behov for å redusere risiko. Siden det er en statlig enhet, når de kjøper noe over en viss sum må det være offentlig anbud. Det gjorde TransNett i vår 2013. Vi ble tildelt kontrakt som underleverandør til 2 selskaper: ERB (Sør Afrikansk) og GE (Amerikansk). En global og en lokal leverandør. De fikk kontrakt med forutsetning at de brukte oss som underleverandør. Lokale myndigheter har satt som krav, hvis internasjonalt selskap skal operere i SA må de ha en søkaltd BBD (GE og ERB har begge det). Først gjør man et test prosjekt så går man inn i en ramme avtale. Kunden må forholde seg til de som har avtalen. Kunden har ingen plikt til å kjøpe alle leverandørene. Stor avtale, masse penger. Vi står nå i startfasen for å levere test prosjektet, ferdig evaluert i november 2013 (test perioden er på 3 måneder) Teknologien brukes til systemer for plan overganger men teknologien kan brukes videre til andre ting. Rammeavtale på 4-5 år som regel.

Europeiske Planoverganger: 210,000

Sikkerhetsløsninger: 90,000

Usikrede løsninger: 121,000 (USA: 130,000. Verden: over 1 million)

Vi er 15-25% rimeligere enn konkurrentene så det er et utømmelig marked.

7.13.4.1 Key Partners

Største utfordringen vår er å finne riktig person som kunne ha jobben gjort ferdig i går! Å execute raskt nok og mye nok er vanskelig for oss. Vi har mest formelle kontrakter med lokale partnere. Viktig at tilliten går begge veier; kunden stoler på produktet og vi stoler på partnerene våre. Det er en kalkulert risiko når det gjelder

kopi. Det er vanskelig å forsikre at for eks GE som vi ingår samarbeid med og kjøper produktet vårt, ikke utvikler samme løsning selv. Derfor har vi ingen info på hjemmesiden vår bevist. Vi sier derfor også nei til samtlige Kina avtaler. Stjeling av ideer er et stort problem.

7.13.4.2 Key Activities

Vi vil rekke over hele verden, helst i går men klarer ikke å produsert nok. Vi hadde 1 million i omsetning i 2011, 22+million i 2012, 300million i 2013 Hovedaktiviteter er egentlig å finne riktig mennesker til teamet, å være ute hos kunden tidlig nok og å finne lokale partnere.

7.13.4.3 Key Resources

Utfordring: vi er ikke flere enn vi er i dag fordi selskapet er høyt teknologisk, må ha et bra kjerne team. Å finne de menneske som er guru på sitt fagfelt, som samtidig klarer å samarbeide med andre og resten av teamet er en utfordring. Vi har ekstremt høy takhøyde her og du kan si hva du vil så lenge det er saklig. Man får lov til å si/snakke tilbake. Finne riktig team: høy kompetanse i sitt fagfelt. Nøkkelpersoner vokser ikke på trær så vi har brukt mye tid på å sette sammen dette teamet. Heldig med de første 5-6 nøkkelpersonene vi har. Reduce, reuse, recycle: offentlig forvaltning tilsier at man må følge visse regler som enklere installasjon, bruker materiale som ikke påvirker miljøet osv. Må ærlig si at vi ikke har vært flinke når det gjelder hensyn til miljøet.

7.13.4.4 Value Proposition

Utfordringer: Patent løsninger er på 20 år. Konkurrenter er Bombarider, Siemens og andre som leverer store sikkerhetsløsninger. De begynner å redusere sine priser og ønsker tilnærminger. De store kjøper opp selskaper og putter teknologien dems i skuffen. Vi er eksperter i Norge på å selge teknologi og gode ideer til utlandet. Når vi konkurrerer i anbudsrunder, ser vi at ingen har tilsvarende produkt. Alle de store er interessert i Sør Afrika og etablering. Partnerene våre er GE, ErB Technology, Uniparttrail, etc.

7.13.4.5 Customer Relationship

Utfordringer: Ingen. Vi er som om ostehøvelen og bindersen. For godt til å være sant! Kunder spør hvorfor de ikke har kjøpt det før. Fra september 2010 til

sommer 2011, hadde vi kun 2 ansatte og jeg bodde på et fly. Reiste rundt, avtalte møter med alle jernbane forvaltninger i Europa. Holdt presentasjoner. Vi kan sammenlignes litt med Microsoft, slik selskapet var for 10 år siden. Det er litt vanskelig med distanse. Sør Afrika er langt unna og man kan ikke hoppe på et fly å være der på kort tid. GE & ERB ville negoitere prisen vår men den hadde vi allerede avtalt med SA. NDA (non disclosure agreement) – GE måtte akseptere kontrakten vår eller gå.

7.13.4.6 Channels

Utfordringer: Ingen har hørt om produktet. Vi leverer til en industri opptatt av sikkerhet og pålitlighet men vi har ingen referanser. Hvordan beviser vi at det fungerer? Vi er safety integrity classified (SIL) klassifisert. Du må kvalitetssikres før du får jobbe med oss. Jernbaneverket vs. Jernbanetilsynet (politiet i staten). Det er nødvendig å legge frem statistisk data. Løsninger i drift, tar så lang tid, så mange togpasseringer, analysert tog passeringene. 7-8 hundre terabytes med data og informasjon. Governmental offices er i hoved byene. Vi presenterer at dette er produktet vårt og her er added value. Enkelt å nå kunder via channels.

7.13.4.7 Customer Segment

Jernbaneverket i forskjellige land er kunden vår.

7.13.4.8 Cost Structure

Vi tilpasser oss bittelitt og broker det på verdensbasis.

7.13.4.9 Revenue Stream

Prisen er satt slik at man skal kunne få alle kontraktene og ikke 10% av volumet. Lavere pris med høyere volum er min filosofi. Marginen er fortsatt kjempe høy, selv med lav pris. Vi sourcer lokal. Alt av hylle varer kjøpes i Sør Afrika. Installasjon kjøpes også av Sør Afrika, elektro, anlegg osv. Vedlikehold og service av Sør Afrika.

7.13.4.10 Sustainability/Market Environment

Vi lager arbeidsplasser og jobber lokalt. Vi kjøper mest mulig lokalt, gjør mest mulig lokalt. Mange tjener godt på vedlikehold, det er ikke tilfellet for oss.

Det er viktig at kunden opplever oss som transparente og at vi skaper trygghet hos kunden. Vi vil være #1 på å bygge løsninger, det er vårt mål.

7.13.2.11 Critique Of The BMC

No specific comments/May have touched upon in other building blocks

7.13.4.12 Comments/Suggestions

Hvis man ikke treffer de rette menneskene er det fare for at man har samtaler og møter som er hyggelig men det ikke blir noe resultat av. Veldig vesentlig å treffe rette beslutningstakere. Det er hierarkisk i Sør Afrika og å forstå lokal kultur er alfa og mega. Nordmenn kan være for lite ydmyke. Hvem skal du snakke med, hvordan, etikken, hva du skal ha på deg. Vi deltok på navigator programmet i Innovasjon Norge regi i Sør Afrika som bestod av 4 samlinger, 1 uke i landet og resten i Norge. Innovasjon Norges utekontorer burde investere i lokal insights, bedriftskultur, fortelle om hvordan man gjør det.

7.13.5 Company E

Vi er et software house som har tjenester, installasjon og opplæring rettet mot media sektoren – vårt kjerneområde er primært tv kanaler. Vi selger programvarer til tv og også assosierte og aviser.

Vi har 3 hovedprodukter:

- Grafikk produkt for samtidsgrafikk på fjernsyn (har et endringsbilde i seg, for eksempel navn på folk eller et kart som tegnes imens du ser på tv)
- Media asset management, som håndterer video som kommer in til media hus for eksempel fra feltet eller byrå video. (Systemet redigerer, kategoriserer og arkiverer)
- Video grafikk (En stor del av en tv sending så vi har en online publiserings løsning til web, telefon, tablett osv. Full produksjons kjede for et medie hus)

Foretningsmodell

Den er litt forskjellig og kommer an på produktet

Vi har evergreen license (lisens som aldri dør ut) + årlig cost and maintenance

Folk kan enten betale for teknisk kompetanse/support og maintenance (oppgradering av program vare) eller la være. Det er en enkel model: listepriis, eventuelt rabatt, support/maintenance contract. Vi har ikke forandret foretningsmodellen for SA marked.

7.13.5.1 Key Partners

Du må skaffe deg kompetanse på produktet fordi dette ikke er som å selge en støvsuger. Selgeren må ha god forståelse for TV produksjon. Jeg sammenligner det med å gå til HiFi klubben kontra Elkjøp for å kjøpe et stereoanlegg. Det er litt samme erfaring i vår bransje. Folk som selger produktet må kjenne produktet godt. I Sør Afrika har de ikke den største tekniske utdanningen eller evne så det er litt vanskeligere å finne kompetente partnere. Derfor gjør vi mange av salgene selv. Grunnet Black Empowerment Act gjør vi dette gjennom partnere hvis nødvendig. Vi er avhengig av at folket vårt passer på at distributørene gjør en god jobb. Hvordan finner dere partnere? Vi søkte rundt i markedet om bransjen i Sør Afrika, tok kontakt, introduserte oss. Nå blir vi ofte kontaktet selv. Motivasjonen i Sør Afrika er ofte bare for å tjene penger.

Har dere kontrakter? Kontraktene våre er papir belagt og kontraktuelle. Vi må først kvalifiseres etter en intern matrise, formelle kontrakter, kommisjons nivå og re-sell priser.

Ansatte hos oss jobber prosjektbasert, A til B til C. Vi ønsker at kunden forstår systemet og er fornøyd når vi er ferdige. Kompetanse på verktøyene er lavere i Sør Afrika. Alvorlighetsgraden på å levere er lavere også. Ansvarlighet ovenfor en jobb du har blitt tildelt er ikke like høy som i Norge. Folk i Sør Afrika sitter ofte litt på gjerdet og venter. De mangler litt initiativ, noe som kan selvfølgelig være personavhengig også. Men trenden er at i Sør Afrika må du bruke mere tid på individer for å få dem på banen. Vi har lik bakgrunn og kompetanse på de ansatte i Sør Afrika og de som jobber andre steder i verden.

Hvordan har dere løst problemet med dette lavere nivået? Vi har planlagt mere tid per kunde i form av kursing og opplæring og installasjon. Vanligvis tar det 2 uker men i Sør Afrika plusser vi på tid. Turnaround på prosjektene er derfor mye treigere. Løsningen kan være å ansette folk så man kan levere mere til enhver tid. Ansvarsfølelsen har vi ikke gjort noe med.

7.13.5.2 Key Activities

No specific comments/May have touched upon in other building blocks

7.13.5.3 Key Resources

No specific comments/May have touched upon in other building blocks

7.13.5.4 Value Proposition

Lav pris kostnad løsningen. Value proposition i forhold til det markedet for å unngå høye rabatter. Dette er en ren forhandlingsmessig sak. Sør Afrika er ikke værst, fordi vi opplever det samme i India, Australia, Norge osv. Total økonomien i Sør Afrika er lavere enn i andre land. Hvor mange prosent av totalt vil du ha? Har de penger eller har de faktisk ikke det? Produkt porteføljen vår er rimelig unik. Vi er en av to som kan lage A-Å arbeidsflyt for TV kanaler. Vårt globale value proposition er unikt. Enkelte har en posisjon i et land eller hos en kunde som betyr at vi må forhandle med dem for å nå endkunden. Samme utfordring har vi i Russland, siden det er noen få utnevnte distributører der.

7.13.5.4 Customer Relationships

No specific comments/May have touched upon in other building blocks

7.13.5.6 Channels

Channels er ikke et problem fordi vi henvender oss til media hus og de har ofte sentral plassering i landet. Interessant salgs frekvens der nede i Sør Afrika. Mobiltelefon systemer selges mer enn i andre land. Folk har ikke TV men mobil, det har alle Afrikanere.

7.13.5.7 Customer Segment

Utfordringer: Afrika er veldig stort land, kontoret vårt er i Sør Afrika med få ansatte, bare 2 nå men normalt 3. Vi server hele Africa men mest sub-sahara land. Vi har 4 profit center hvor et er NEMA (North Europe Middle Africa), som jeg leder. Afrika er delt opp fordi Nord Afrika er nærmere Sør Europe med kultur, språk osv. For eksempel, de snakker fransk i Morocco. Det er mange store TV kanaler holder hus i Sør Afrika. Pris nivået er en utfordring! Produktet er likt i alle land så det er vanskelig å tilby bedre pris. Man ønsker ikke å tilpasse spesial løsninger fordi det er vanskelig når du lager og utvikler software.

7.13.5.8 Cost Structure

No specific comments/May have touched upon in other building blocks

7.13.5.9 Revenue Stream

No specific comments/May have touched upon in other building blocks

7.13.5.10 Sustainability/Market Environment

Korrupsjon er et kjempe problem! Landet er gjennom korrupt of det er myndighetene som ofte har med TV og media å gjøre. Leverandørene gjør dealer under bordet og da vinner de kontraktene. Det gjør ikke vi så da vinner vi ikke alltid. Veldig vanlig med kick back i form av penger, bil eller yacht osv. Ofte andre Afrikanske og Asiatiske land som tar slike uetiske avtaler.

Tekniske utfordringer er at banker i SA er ikke til å stole på, deres ratings er veldig dårlig. Det er veldig stor utfordring! Vi går ofte utenfor Afrika når vi betaler for eksempel ved bruk av britiske banker. Vi insisterer alltid på penger up front. Alle transaksjoner gjør vi med banken, og så gjør bankene det seg i mellom. Kunden forholder seg til sin lokale bank. Det er et sikringspunkt for begge partnere. Kineserne er en utfordring. De introduserer sine egne systemer, rekonstruert teknologi og kjøper total kontroll på myndighetenes side. Tøft å si men der er et faktum.

Hvis du selger til SA telekanaler må du være represent av et selskap eid av 51% svarte afrikanere. Tidligere hadde vi en distributør som tok ganske heavy cut og ansatte fikk lite betalt. Nå bruker vi Adecco, global service organisasjon, og leier ut andres folk. De er fast ansatte konsulenter. Kontrakt med Adecco slik at de ansetter personene i sitt firma og lar oss betale for det med kostnad på toppen for admin osv. fordi vi ikke har juridisk identitet i landet. Kompetanse nivået er lavt i Sør Afrika og kvalitets kravet er anderledes enn i Norge. De er mere opptatt av kvantitet i stedet for kvalitet. Det er et utdannelses aspekt i dette også. Vi må rettferdig gjøre kostnader for et system som er dyrere enn du kan kjøpe hos andre.

7.13.5.11 Critique Of The BMC

Det er vanskelig å drive business fra Norge med Sør Afrika. Man kan ikke gjøre en god jobb der hvis man ikke er tilstede lokalt. Jobben blir mer og mer kompleks.

Stor grad av systemer som er koblet sammen. Tett partnerskap med kunden er viktig. En av grunnene vi gjør det bra er at vi har 37 kontorer i verden, det er essensielt for oss. Som sagt, det er nødvendig å være tilstede.

Lokaltilstedeværelse. Dere burde ha vært her når dere skrev denne rapporten for den hadde sett anderledes ut hvis dere hadde bodd 6 måneder i Sør Afrika.

7.13.5.12 Comments/Suggestions

No specific comments/May have touched upon in other building blocks

7.13.6 Company F

I handle the Norwegian company's operations in South Africa. In essence there isn't a proper established company here but rather me who works on a consultancy basis. There is a lot of regulations and thus hassle around establishing a company in South Africa. There's the foreign exchange, the task of finding the right people and as a result my parent company has decided to avoid these challenges by hiring a consultant. We've been very successful in South Africa and have managed to establish partnerships with NTN and Vodacom as well as pan-African deals with both companies. Mobile and web browsing is our first line of business and advertising is the second. I joined the company when the deals for South Africa were already in place so my job is to manage the relationships and sell in more business. There are a lot of opportunities in South Africa. It's a second (not first or third) world market which was solidified when it entered BRICS. Mobiles are very important for South Africans. Since there are no big fixed line structure and since there are many rural areas, South Africa is dependent on mobiles. PC penetration is only 3.5% and as result the mobile phone is the most important technical product in the country. Our browser shows that one of the most visited sites all over Africa is Wikipedia. There's a thirst for knowledge and wanting to learn which people do through such information sites.

7.13.6.1 Key Partners

We find our partners by knocking on doors. It is easy to know what the operators are. It is market knowledge which we possess. Overall partnerships are very backward, not as evolved as in Europe, especially on the advertising side. There's a whole educational process involved. Some companies still spend 99% of their marketing budget on radio, tv, print and most non-traditional ads are online so we

have to educate people to communicate with their consumer via the platform they use - mobile phones! We've just educated DFTV in South Africa (like Sky in the UK) on subscription mobile. We persuaded them to do tests on mobiles across Africa which took 5-6 months and then we talked about the results after. They signed deal for 14 million RAND (this is a lot in South Africa) and moved from online budget to mobile. To give you an idea, 100 million rand is the total of mobile advertising budget across all of South Africa.

7.13.6.2 Key Activities

No specific comments/May have touched upon in other building blocks

7.13.6.3 Key Resources

I don't really use any resources besides my laptop, phone and travel.

7.13.6.4 Value Propositions

Our product is free for direct consumers who can easily download it onto their phones. It's a browser like safari or mozilla and works on any phone. This is particularly important in South Africa where consumers have old and simple handsets. The browser compresses data by going to our server, to the internet, compresses the information and sends it back to the phone. This process makes it quicker and in turn cheaper for consumers to use their phones. If you are poor, which many South Africans are, then this is particularly important for you. And of course it makes the user experience that much better. This process is also important for network operator as they can provide a better service to their consumers. Most networks are 2.5 or 3G so this means that they can have more data users on their network at the same time. The data on our browser is encrypted, so the operator does not know where the consumer is going. Instead they can only see lots of traffic. We can therefore sell this information about the users to the networks and advertise through co-branding with different operators. This means we have control of the user and their information. 72% of webpages viewed in South Africa are through our browser. We are the biggest browser in South Africa but we have lots of rivals and this is also why we sell adverts on the browser.

Do you need to do a lot of educational work? When something provides value, customers tend to find it. The first/early adopters are always trying things out and when they try and it works for them (quick and saves money) then it spreads. Secondly, to build a customer base, we do in store deals with phone manufacturers as well as offering them for free. Further we have a global deal with samsung.

7.13.6.5 Customer Relationships

We do not do any form of informal business. We do not accept gifts and pride ourselves on integrity. As a norwegian company, people would be shocked if we behaved unethically. Do you have issues with corruption? I have personally experiences it but not with this company.

7.13.6.6 Channels

No specific comments/May have touched upon in other building blocks

7.13.6.7 Customer Segments

Our customers are mobile network operators, people who are involved in data, value added services as well as the network side of business. We operate in the B2B environment.

7.13.6.8 Cost Structure

We do not offer our product at a lower price. Our customers would say it's too high and we would say it's not high enough.

7.13.6.9 Revenue Stream

We have a unique identifier for each browser downloaded and thus know who they are and what network they are on. Data penetration in Africa is low and not like in europe. Essentially this is because its expensive. We are in a sweet spot right now with the market is growing so quickly. Approximately 12-15% use data currently which means that 85% of the market doesn't. These 85% will be coming online in the next years. To exemplify, we had 4-5 million users in Nigeria 4 years ago, now we have 15 million.

7.13.6.10 Sustainability/Market Environment

Generally you've got to be entrepreneurial in South Africa as it is difficult to get a job (black empowerment) if you are white. Thus white people have to be entrepreneurial, much like Polish people who work in the UK and Norway are. They have to be hardworking because they have the freedom to choose what they want to do with their lives. This means a strong work ethic and a sense of obligation which their parents fought for. It is more complicated for MNCs to work in South Africa due to a lot of red tape. There are employment laws which make it difficult to get rid of people. Foreign exchange can also be an issue as can getting your profits. There is massive competition from China, shortage of skills, corruption and the tendering process is poor. I basically work like a startup but have a corporation behind me. I believe what my parent company is doing is really smart. I have a great virtual team behind me.

7.13.6.11 Critique Of The BMC

No specific comments/May have touched upon in other building blocks

7.13.6.12 Comments/Suggestions

No specific comments/May have touched upon in other building blocks

7.13.7 Company G

Fortell om deres erfaring og hvordan dere operer i Sør Afrika.

Jeg er en utflyttet nordmann som har bodd i Sør Afrika siden 1995. Jeg jobbet for selskapet mitt fra 1987-1995 og forlot selskapet for å etablere egen bedrift i Sør Afrika. I 2009 fant selskapet meg igjen og med en ny international strategi med fokus på å etablere sustainable business i Sør Afrika ble jeg med på teamet igjen. De så etter noe til å lede og etablere business for dem i Sør Afrika, med formål om å være hub for Sør Afrika regionen. Selskapet har vært i Afrika i mer en 50år men mest på grunnlag av prosjekt arbeid. Strategien lagt i 2009, fokuserer på internasjonal virksomhet rundt geografiske områder på grunn av kompetanse osv for å internasjonalisere selskapet. Vi har noen datterselskap i Botswana men ingen hovedoperasjon på kontinentet. Sør Afrika er det sterkeste landet økonomisk på kontinentet. For å ha langsiktig, voksende strategi for Afrika må man etablere seg i Sør Afrika. Min jobb er å realisere strategien. Målet er å komme til en viss størrelse og lønnsomhet av virksomheten. Jeg har personlig ansvar for Sør Afrika

og for regionen, hovedsaklig Mosambique og litt Botswana, Zimbabwe, Namibia og Angola. Fokuset er energisektoren. Hovedfokus er strømforsyning + olje og gas og andre energi problemstillinger. Vi jobber hovedsaklig mot electrical engineering men ikke eksklusivt på det men det er hoved kompetanse området. For øyeblikket er vi 95 mennesker i Sør Afrika, ca 25 ansatte i Mosambique. ca 120 mennesker under mitt ansvars område, 3 nordmenn og resten fra Africa + ca 8 utlendinger fra andre Europeiske land. Sør Afrika er en kombinasjon av 1st og 3rd world. En del fungerer som scandinavia med tanke på velutviklet økonomisk system, gode juridiske systemer, finansiell sector fungerer bra. Det er en generell ramme for finans og konsulent virksomhet. Dette er veldig forskjellig fra nabo landene. Foretningstiljøet i Sør Afrika når du kommer på innsiden er ikke så veldig forskjellig fra det du finner i Norge. Landet har en blandings økonomi med stor privat sektor som er vært fokus. Det er veldig mye som sjer på offentlig sector fronten også som store investeringer i energi og infrastruktur. Vi er et rådgivende ingeniørselskap så vi er avhengig av investering i offentlig sector.

7.13.7.1 Key Partners

Vi har mange lokale partnere i Sør Afrika og ingen norske. Vi jobber på prosjekt basis og er uavhengig av norske relasjoner. Jeg føler at Innovasjon Norge og Eksportrådet bidrar lite for norske bedrifter i Sør Afrika. Jeg er veldig lite imponert av staten på den fronten. Når det gjelder partners må du ha god ledelse, være villig til å investere, ta på risiko og ha forståelse av markedet

7.13.7.2 Key Activities

No specific comments/May have touched upon in other building blocks

7.13.7.3 Key Resources

Underskudd på kompetent arbeidsplass spesielt for ingeniører, supply vs demand. Hvordan løser dere kunnskapsnivå problemet? Opplæring betyr ofte at folk drar til andre selskap etterpå så vi kjøper heller opp eksisterende selskaper med bra kompetanse. Hittil har vi kjøpt to bedrifter i Sør Afrika som vi prøver å vokse videre. Det er en stor utfordring men fungerer hvis man er villig til å kjøpe en markedsposisjon. Vi ser etter typiske grunder selskap som ikke klarer å vokse videre, som har kommet til et naturlig tak. Jeg tror ikke å overføre norsk kompetanse til Sør Afrika er en løsning, hovedsaklig for økonomiske grunner.

Man må betale mye for å få nordmenn til å flytte ut av Norge og utestasjonering koster mye. Det er nærmest tilfeldig at jeg er nordmann, jeg har lokale betingelser. Det er kun 2 utestasjonert fra Norge med nøkkelkompetanse. Vi har fokus på å finne lønnsomme bedrifter, ikke turnaround prosjekter.

7.13.7.4 Value Proposition

No specific comments/May have touched upon in other building blocks

7.13.7.5 Customer Relationships

No specific comments/May have touched upon in other building blocks

7.13.7.6 Channels

Det skjer store investering i energi sektoren i Sør Afrika og for oss er det veldig interessant. Det betyr ingen markedsbegrensing. Vi sitter med 1 milliard innen for electrical engineering og omsetter for 75 million norsk kroner med en markedsandel på er 7-8%. Vekst mulighetene er betydelige uten å møte en markeds begrensing. Situasjonen er anderledes i nabolandene som er små og som har få muligheter.

7.13.7.7 Customer Segments

Våre kunder er $\frac{2}{3}$ private klienter fordi det er den Sør Afrikanske industri bedriftene som trenger rådgivning på energipolitikk. Vi jobber også med olje og gas industrien. Vi ønsker 50% av virksomhet med privat kunder. ESCON er den andre kunden vår, verdens 8 største kraft selskap. Det er ikke vanskelig å finne kunder fordi jeg har jobbet i Sør Afrika i 18år og har derfor et godt nettverk. Det er ingen problemer på den fronten.

7.13.7.8 Cost Structure

Vi bruker lokale resurrer og kjøpe selskap som gir lønnsomhet i markedet

7.13.7.9 Revenue Stream

No specific comments/May have touched upon in other building blocks

7.13.7.10 Sustainability/ Market Environment

Sør Afrika har policy for å addressere uretterdigheter, fortrinns behandlign for svart medeierskap og deltagelse i foretningsvirksomhet. Det er kanskje litt for velutviklet politikk og regler på Black Economic Empowerment. Du må invistere i lokal arbeidskraft og må vurdere foretningsmodellen din. Det er stor fokus på etikk og 'clean business' i Sør Afrika. Vi bygger dette inn i kontrakter og samarbeidsavtaler. Vi jobber kun med de som godtar våre høye standarder. Det er en del korrupsjon i offentlig sektor, så man må være bevist på det. Jeg har ikke hatt problemer med det i privat sektoren. Vi gjør en vurdering av alle nye kunder for å danne et bilde av dem og for å se om vi er i stand til på jobbe for dem. Vi sier heller nei hvis de ikke er opp til vår standard. Det er mye social investment rundt Black Empowerment også. Du må ha et scorecard som tilsier hvor langt du har kommet som 'corporate citizen'. Scorecardet er fra 1-7. Hvis du har 4 så er du ikke utestengt fra offentlig anbud men med nivå 1 eller 2 så får du en del plus poeng. Det kommer an på hvor mye du invisterer i det og det går på for eksempel lederskap, ansatte osv. Den ene bedriften vår har nivå 1 og jobber mot ESCON Imens den andre har nivå nivå 4 som er tilstrekkelig fordi virksomhet mot privat sektoren. Man vurderes årlig. Intesjonen er bra men kanskje rammeverket er litt for ufleksibelt. Andre element og initativer kunne vært like bra å legge vekt på så jeg håper dette justeres over tid. Lovverket er nok det mest spesielle med å operere i Sør Afrika. Det er mye viere enn kjønnsvoktering i Norge

7.13.7.11 Critique Of The BMC

No specific comments/May have touched upon in other building blocks

7.13.7.7.12 Comments/Suggestions

No specific comments/May have touched upon in other building blocks

7.13.8 Company H**7.13.8.1 Key Partners**

Det viktigste er at de er loyale. Vi har hørt om tilfeller fra andre steder at partneren etablerer en ny bedrift og plutselig har du en ny konkurent! Det er viktig med langsiktig, stabile partnere du kan stole på og at de driver på en etisk riktig måte - dette er også en utfordring. Det er risiko for omdømme tap i Sør Afrika! Vi driver på med en markedsundersøkelse som vi skal presentere for partnerern vår

og se hvordan de regarerer. Noen virker mere entusiastiske enn andre. Man må finne de som kan leve opp til standarden din

Hvordan tror du dere kommer til å være tilstede i Sør Afrika?

Jeg antar 100% lokalt personell, men nordmenn og andre vil bli sendt ned i perioder. De vil gjennomføre spesielle kurs og ha opplæring av ansatte. Det finnes mye dyktige folk og det er mulig å finne folk som er i stand til å gjøre jobben slik at nordmenn blir støtte funksjonen. Det vil være en regelmessig lokal tilstedeværelse, altså en gruppe personer som er tilstede hele tiden

7.13.8.2 Key Activities

No specific comments/May have touched upon in other building blocks

7.13.8.3 Key Resources

Hvordan er det med sustainability med tanke på resurser?

Vi står for grunn investeringen som er en del millioner. Der ser vi for oss en lokal partner som bidrar med midlene og at vi bruker våre resurser på personalet vårt.

Er det noen utfordringer med business modellen?

Lokal personell er nødvendig fordi norsk personell blir for dyrt. Vi må opprettholde et viss nivå via å opplære lokalt ansatte. Vi må få dem til å jobbe i forhold til norsk standard slik at de leverer samme kvalitet som i Norge. Dette er en utfordring.

7.13.8.4 Customer Segments/Value Proposition

Vi er i start fasen i Sør Afrika og har etablert et samarbeidskontor i Namibia.

For framgangen i Sør Afrika har vi 3 muligheter (opportunity):

- Det er lite konkurranse fra før innen trening og oppløring for oljeindustrien. Det er få konkurrenter i Afrika generelt og i Sør Afrika. Det er et voksende marked.
- En annen mulighet er at Sør Afrika er et betalings dyktig marked. Dette vet vi fordi de sender folk til Europa og Asia for trening og opplæring, noe som ikke er billig.
- En mulighet for å være i Sør Afrika er for å være nærmere markedet. Siden vi trener og opplærer folk så hjelper det å være tilstede i regionen, særlig med tanke på kostnader og visa krav.

Utfordringer

Det er en grunn til at det er lite konkurranse i Sør Afrika. Afrikanske land har hatt negative trekk som gjør det vanskelig å etablere forretninger og å jobbe der. De er ofte proteksjonistiske, korruperte og det kan være vanskelig å finne stabile samarbeidspartnere. Det er mange lover og regler for etablering av bedrifter og det er derfor vanskelig for utlendinger å etablere seg der. Det krever mye arbeid, tillatelse, du må forstå systemet for å kunne operere der. Det er mye mere krevende enn å etablere en bedrift i Norge. Stabil arbeidskraft er også en utfordring. Det er ofte en litt usikker horisont fordi mange land har vært preget av borgerkrig og uroligheter. SA er mere stabilt sånn sett men det er stor sosial uro og kriminalitet.

7.13.8.5 Customer Relationships

Vanskeligheter? Er det vanskelig å holde på kundene?

Ja og nei. Personlig relasjoner er av betydning. Problemet er at folk skifter stillinger ofte. Man håper at man kommer inn slik at de bruker deg til opplæring av alle nye ansatte, om og om igjen. Bransjen er moden for produktene fordi de har standarder som de må følge

7.13.8.6 Channels

Gjevnt over bra channels i afrikanske byer. Vei systemet i Cape Town er like bra som i Norge. Vi ser ingen problemer der. Internet er heller ikke noe problem.

Hva med kommunikasjon med kundene dine? Hvordan er det?

Den er nokså lik som i Norge: delvis gjennom hjemmesiden vår hvor vi ønsker en booking løsning online og delvis epost eller via booking systemene direkte. I Norge er vi veldig fokusert på en rationell måte å kommunisere på. Vi har status møter og lignende med kundene hvor vi gå gjennom behov, hva som har skjedd osv. Vi ville gjerne gjøre det samme i SA Identifisere kunder og etablere et forhold til dem via nett og personlig kontakt.

7.13.8.7 Customer Segment

Det finnes flere marked i Afrika for oss hvor Sør Afrika er en av dem. Kundene er både offentlige aktører og private selskaper (internasjonale og nasjonale) som driver med olje og sikkerhetsopplæring. Vi har mange ulike mulige kunder for

eksempel havnevesenet, gruvedrift, prosess og sikkerhets opplæring. SA har ikke kommet ordentlig inn i oljeindustrien enda men det finnes flere marked rundt (3-4 åpne som for eksempel Angola) med store oljeindustrier. I de landene er internasjonale bedrifter målet som for eksempel Statoil, Total, Exxon og rigg selskaper som Aker, Haliburton og Baker.

Hvem er deres offentlige kunder i SA? Havnevesenet er et eksempel på en slik kunde og brannvesenet (delvis eid av staten). Den offentlige sektoren er generelt en vanskelig kunde grunnet det de kaller scorecard. Man må sette opp ansatte som gir høye poeng og man strekker seg langt for å ansette de som for eksempel er svarte, kvinner. Det er ofte vanskelig å få kontrakter siden vi er et internasjonalt selskap og fordi kontraktene kanskje muligens blir delt ut på andre grunnlag som stam tilhørighet, parti tilhørighet, vennskap osv. Man må være unik og ha produkter som andre ikke har for å slå igjennom.

Er bedrift modellen deres overførbart til andre land?

Mange av våre prosjekter skjer gjennom en samarbeid stiftelse så den er egentlig ikke direkte overførbart. Modellen der er ikke hundre prosent vellykket. Vi ser for oss en model hvor vi er del eier og tilfører kvalitetssikring. Man trenger partnership for lokal tilhørighet. Da er det lettere med etablering. Dette er basert på erfaring fra andre lan. Modellen skal være sustainable. Vi er en franchise uten at vi er det. Vi representerer et unikt produkt, unik kvalitetsikring, har et unikt rykte som norsk bedrift, så samarbeid med lokal partner vil være mere effektivt.

Vi jobber i en standard basert bransje. Du må være sertifisert og levere en viss standard. Norsk olje og gas utsteder dette i Norge. I utlandet er det ikke nødvendigvis den samme standaren som står. Britiske selskaper har en mer internasjonal standard og derfor et lite fortrinn sånn sett.

Norge er et høy kostland men vi er vant til å betale for trening og utdanning til en viss sum. Andre er ikke like vant til å betale for utdanning til de ansatte. Disse landene har mer erfaring og enklere kurs som standard. Det er utfordrende å selge in behovet for et slikt omfattende system.

Hva er løsning?

I noen tilfeller har Norad betalt for eksempel i Sudan. I det tilfellet er det naturligvis enklere. I andre tilfeller ender vi opp med enten mer nett basert, mindre lærere og konkret trening som gir et annet kostnads bilde eller skreddersydde løsninger som er enklere enn det vi gjør i Norge

7.13.8.8 Revenue Stream

Kontoret i Namibia får inntekt fra norsk ujhjelp midler, så da er midlene sikre.

Det er litt trøbbel med bank forbindelser men problemet er bare at det tar tid og er mer krevende. Eller er det egentlig ingen konkrete problemer.

Vi satser på lokal etablering som foretar fakturering osv. Ofte er businessene internasjonale med internasjonale betalings rutiner.

7.13.7.9 Sustainability/Market Environment

No specific comments/May have touched upon in other building blocks

7.13.7.10 Critique Of The BMC

No specific comments/May have touched upon in other building blocks

7.13.7.12 Comments/Suggestions

Mange har prøvd seg i Sør Afrika og norske bedrifter kom sent inn i landet grunnet apartheid. Landet kommer til å bli den ledende afrikanske staten så lenge politiken ikke forfaller. Sør Afrika kan bli det nye Zimbabwe eller en ny stormakt! Landet er mye mere europeisk enn de andre i Afrika derfor er ikke etablering så anderledes selv om ting er mere usikre. Det blir spennende å se hvordan dette går. Vi leter nå etter en etablert partner som er i trening/opplæring bransjen men ikke med olje industrien. Vi driver mye prosjekter rundt omkring også så det store spørsmålet er om vi etablerer en beredelse eller jobber prosjektet basert.

References

Abélès, Marc. 2006. "Globalization, Power and Survival: An Anthropological Perspective." *Anthropological quarterly*, 79 (3): 483-508.

Aberbach, J. D. and B.A. Rockman. 2002. "Conducting and Coding Elite Interviews." *Political Science and Politics*, 35 (4): 673-676.

Agnihotri, Arpita. 2013. "Doing good and doing business at the bottom of the pyramid." *Business Horizons*, 591-599.

Ahmad, P. S., M. E. Gorman, and P. H. Werhane. 2004. "Case study: Hindustan Lever Limited and Marketing to the Poorest of the Poor." *International Journal of Entrepreneurship and Innovation Management*, 4 (5): 495-511.

Akter, S., Pradeep Ray, and John Gaetano D'Ambra. 2012. "Continuance of health services at the bottom of the pyramid: The roles of service quality and trust." *Electronic Markets (Special Theme)*, 1-19.

Anderson, J. and Bilou, N. 2007. "Serving the world's poor: Innovation at the base of the economic pyramid." *Journal of Business Strategy*, 28 (2): 14-21.

Anderson, Jaime and Costas Markides. 2007. "Strategic innovation at the Base of the Pyramid." *MIT Sloan Management Review*, 49 (1): 83-88.

Ansari, S., Kamal Munir and Tricia Gregg. 2012. "Impact at the "Bottom of the Pyramid": The Role of Social Capital in Capability Development and Community Empowerment." *Journal of Management Studies*, 49 (4): 813-842.

Arnold Denis G., and Laura H.D. Williams. 2012. "The paradox at the base of the pyramid: environmental sustainability and market-based poverty alleviation." *International Journal of Technology Management*, 60 (1/2): 44-59

Battilana, J., M. Lee, J. Walker, and C. Dorsey 2012. "In Search of the Hybrid Ideal." *Stanford Social Innovation Review*, 10 (3): 50-55.

BBC (The British Broadcast Corporation). 2011. "South Africa Profile: Facts." Accessed May 4, 2013. <http://www.bbc.co.uk/news/world-africa-14094835>.

BBC (The British Broadcast Corporation). 2012. "South Africa Profile: Overview." Accessed May 5, 2013. <http://www.bbc.co.uk/news/world-africa-14094760>.

Beinart, William and Saul Dubow. 2003. *Segregation and Apartheid in Twentieth-Century South Africa*. 2nd ed. London: Routledge.

Bennett, R. C., and R. G. Cooper. 1981. "The misuse of marketing: An American tragedy." *Business Horizons*, 24 (6): 51–61.

Berg, Bruce L. 2009. *Qualitative Research Methods for the social science*. Boston, MA, USA: Pearson Publication.

Berry, J. M. 2002. "Validity and reliability issues in elite interviewing." *Political Science and Politics*, 35 (4): 679-682.

Bitner, M. J., A. Wilson, V. A. Zeithaml, and D. D. Gremler. 2012. *Services marketing: Integrating customer focus across the firm*. 2nd ed. London: McGraw Hill.

Black, C., Akintola Akintoye, and Eamon Fitzgerald. 2000. "An analysis of success factors and benefits of partnering in construction." *International Journal of Project Management*, 18 (6): 423–434.

Browne, A., Pullinger, Martin, Anderson, Ben and Medd, Will. 2013. "The performance of practice: An alternative approach to attitudinal and behavioural 'customer segmentation' for the UK water industry." *Water Resources Management*.

Carroll, Archie B. 1999. "Corporate Social Responsibility: Evolution of a definitional Construct." *Business & society*, 38 (3): 268-295.

Casadesus-Masanell, Ramon and Joan Enric Ricart. 2010. "From Strategy to Business Models and onto Tactics." *Long Range Planning*, 43 (2-3): 195-215.

Caves, R.E. 2007. *Multinational enterprise and economic analysis*. Cambridge; New York: Cambridge University Press.

Cespedes, F., James P. Dougherty, and B. Skinner. 2013. "How to Identify the Best Customers for your Business." *MIT Sloan Management Review*, 54 (2): 53-59.

Chadwick, T. and S. Rajagopal. 1995. *Strategic supply management: An implementation toolkit*. Oxford, UK: Butterworth-Heinemann.

Chan, Kim and Renee Mauborgne. 2005. *Blue Ocean Strategy: How to create uncontested market space and make the competition irrelevant*. Boston: Harvard Business Review Press.

Chan, S. L., Ip, W. H., and V. Cho. 2010. "A model for predicting customer value from perspectives of product attractiveness and marketing strategy." *Expert Systems with Applications*, 37 (2): 1207-1215.

Chatterjee, Suparna. 2013. "Engaging with an emergent metanarrative: A critical exploration of the BOP proposition." *Organization*: 1–19.

Chesbrough, H. 2010. "Business model innovation: opportunities and barriers." *Long Range Planning*, 43 (2–3): 354–363.

Chesbrough, Henry and Richard S. Rosenbloom. 2002. "The role of the business model in capturing value from innovation: Evidence from Xerox Corporation's technology spin-off companies." *Industrial and Corporate Change*, 11 (3): 529-555.

Chesbrough, H., Shane Ahern, Megan Finn, and Stephane Guerraz. 2006. "Business models for technology in the developing world: The role of nongovernmental organizations." *California Management Review*, 48(3).

Chopra, S.K. and M.G.P.L. Narayana, 2012. "Meeting Bottom of the Pyramid (BOP) needs by engineering sustainable solutions." *Technology and Society in Asia*, 2012 IEEE Conference: 1-6.

Chikweche, Tendai, and Richard Fletcher. 2013. "Customer Relationship Management at the Base of the Pyramid: Myth or Reality?" *Journal of Consumer Marketing*, 30 (3): 295 – 309.

Chikweche, Tendai, and Richard Fletcher. 2012. "Revisiting the Marketing Mix at the Bottom of Pyramid (BOP): From Theoretical Considerations to Practical Realities." *Journal of Consumer Marketing*, 29 (7): 507-520.

Christensen, C. M. 1997. *The innovator's dilemma*. Boston: Harvard Business School Press.

Christensen, C. M., and J. L. Bower. 1996. "Customer power, strategic investment, and the failure of leading firms." *Strategic Management Journal*, 17 (3): 197–218.

CIA World Factbook 2013. "Africa: South Africa." Accessed May 9, 2013. <https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html>.

CIA World Factbook. 2013. "Field Listing: Natural Resources." Accessed May 9, 2013. <https://www.cia.gov/library/publications/the-world-factbook/fields/2111.html>.

Coase, R. H. 1973. "The Nature of the Firm." *Economica*, 4 (6): 386-405.

Crabtree, Andrew. 2007. "Evaluating the "Bottom of the Pyramid" from a Fundamental Capabilities Perspective." *Copenhagen Business School Centre for Business and Development Studies Working Paper*, (1): 1-22.

Creswell, John W. 2003. *Research design: Qualitative, quantitative, and mixed methods approaches*. 2nd edition. Thousand Oaks, CA: Sage Publication.

Dahan, N., J.P. Doh, J. Oetzel, J., and M. Yaziji. 2010. "Corporate-NGO collaboration: Co-creating new business models for developing markets." *Long Range Planning*, 43 (2-3): 326-342.

Dahlman, Carl J. 1979. "The Problem of Externality." *Journal of Law and Economics*, 22 (1): 141-162.

Davidson, Kirk. 2009. "Ethical Concerns at the Bottom of the Pyramid: Where CSR Meets BoP." *Journal of International Business Ethics*, 2 (1): 22-32.

Dawar, N. and A. Chattopadhyay. 2002. "Rethinking marketing programs for emerging markets." *Long Range Planning*. 35 (5): 457.

Day, G. S. 1999. "Misconceptions about market orientation." *Journal of Market-Focused Management*, 4 (1): 5-16.

Demil, Benoit and Xavier Lecocq. 2010. "Business Model Evolution: In Search of Dynamic Consistency." *Long Range Planning*, 43 (2): 227-246.

Dess, Gregory, G.T Lumpkin and Alan Eisner. 2008. *Strategic Management: Creating Competitive Advantage*. 4th ed. Burr Ridge: McGraw-Hill Higher Education

Development Bank of South Africa. 2012. "The State of South Africa's Economic Infrastructure: Opportunities and challenges." Accessed May 10, 2013.
<http://www.dbsa.org/Research/Documents/DBSA%20State%20of%20SAs%20Economic%20Infrastructure%20Report%202012.pdf?AspxAutoDetectCookieSupport=1>.

Dolfsma, W., Geert Duysters, and Ionara Costa. 2009. *Multinationals and Emerging Economies: The quest for Innovation and Sustainability*. Cheltenham, UK: Edward Elgar Publishing.

-
- Dubosson-Torbay, M., A. Osterwalder, and Y. Pigneur. 2001. "E-business model design, classification and measurements." *Thunderbird International Business Review*, 44 (1): 5–23.
- Dussauge, P., B. Garrette and C. K. Prahalad .1999. *Cooperative Strategy - Competing Successfully through Strategic Alliances*. Chichester: John Wiley & Sons Ltd.
- Dyche, J. 2002. *CRM handbook: The business guide to customer relationship management*. Boston: Addison Wesley.
- Egan, Henry and Armen Ovanessoff. 2011. "Capturing the Growth Opportunity in Emerging Markets." *European Business Review*. September-October: 42-25
- Esposito, M., Amit Kapoor, and Sandeep Goyal. 2012. "Enabling healthcare services for the rural and semi-urban segments in India: When shared value meets the bottom of the pyramid." *Corporate Governance*, 12 (4): 514 – 533.
- Feller, J., A. Parhankangas, R. Smeds, and M. Jaatinen. 2013. "How companies learn to collaborate: Emergence of improved inter-organizational processes in R&D Alliances." *Organization Studies*, 34 (3): 313-343.
- Garriga, E. and Domènec Melé. 2004. "Corporate Social Responsibility Theories: Mapping the Territory." *Journal of Business Ethics*. 53 (1-2): 51-71.
- Gattorna, J. L. and D.W. Walters. 1996. *Managing the supply chain*. London: Macmillan.
- George, Gerard and Adam Bock. 2011. "The Business Model in Practice and its Implications for Entrepreneurship Research." *Entrepreneurship Theory and Practice*, 35 (1): 83-111.
- Gordon, Michael D. 2008." Management Education and the Base of the Pyramid." *Journal of Management Education*, 32 (6): 767-781

Grønmo, S. 1998. "Forholdet mellom Kvalitative og Kvantitative Tilnærminger i Samfunnsforskning." In *Kvalitative Metoder i Samfunnsforskning*, edited by Kalleberg, and H. Holter, 73-108. Oslo: Universitetsforlaget.

Gummerus, Johanna. 2013. "Value creation processes and value outcomes in marketing theory: Strangers or siblings?" *Marketing Theory*, 13 (1): 19-46.

Jonkers, H., Dick Quartel and Remco Blom. 2012. "Business Models. Aligning Business Strategy and Enterprise Architecture." *IRM UK*, May 31.

Hagedoorn, John, Albert N. Link and Nicholas S. Vonortas. 2000. "Research partnerships." *Research Policy*, 29 (4-5): 567-586.

Hahn, Rüdiger. 2009. "The ethical rationale of business for the poor: Integrating the concepts Bottom of the Pyramid, Sustainable Development, and Corporate Citizenship." *Journal of Business Ethics*, 84 (3): 313-324.

Hamel, G. and C. K. Prahalad. 1994. *Competing for the future*. Boston: Harvard Business School Press.

Hammond, A., William J. Kramer, Julia Tran, Rob Katz, and Courtland Walker. 2007. *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*. Washington D.C: World Resource Institute.

Hart, Stuart, L. 2010. *Capitalism at the Crossroads*. Pennsylvania: Wharton School Publishing.

Hart, Stuart L. and Clayton M. Christensen. 2002. "The great leap: Driving innovation from the Base of the Pyramid." *MIT Sloan Management Review*, 44 (1): 51-56.

Hedman, Jonas and Thomas Kalling. 2003 "The business model concept: theoretical underpinnings and empirical illustrations." *European Journal of Information Systems*, 12 (1): 49-59.

Heeks, R. 2008. "The Next Phase of Applying ICT for International Development." *Computer*, 41 (6): 26-33.

Humphrey, Albert. 2005. "SWOT analysis for management consulting." *SRI Alumni Newsletter (SRI International)*.

Im, Kwanyoung and Hyunbo Cho. 2013. "A systematic approach for developing a new business model using morphological analysis and integrated fuzzy approach." *Expert Systems with Applications* 40: 4463–4477

Ireland, J. 2008. "Lessons for Successful BOP Marketing from Caracas' Slums." *Journal of Consumer Marketing*, 25 (7): 430–38.

Ismail, Tashima., Nicola Kleyn, and Gwen Ansell. 2012. *New Markets, New Mindsets*. Auckland Park, South Africa: Stonebridge.

Jagtap, Santosh , Andreas Larsson and Prabhu Kandachar. 2013."Design and development of products and services at the Base of the Pyramid: A review of issues and solutions." *International Journal of Sustainable Society*, 5 (3): 207-231.

Jänicke, Martin. 2012. "'Green growth': From a growing eco-industry to economic sustainability." *Energy Policy*, 48: 13-21.

Johannesburg Stock Exchange. 2013. "Introduction to the SRI Index." Accessed May 7, 2013. http://www.jse.co.za/About-Us/SRI/Introduction_to_SRI_Index.aspx.

Johannesburg Stock Exchange. 2013. "What is the Socially Responsible Investment Network?" Accessed May 7, 2013. <http://www.jse.co.za/InvestorRelations/Sustainability/Socially-Responsible-Investment-Index.aspx>.

Johnson, M., Clayton M. Christensen, and Henning Kagermann. 2008.

“Reinventing your business model.” *Harvard Business Review*, 86 (12): 57-68.

Kalaignanam, Katrik and Rajan Varadarajan. 2012. “Offshore outsourcing of customer relationship management: conceptual model and propositions.” *Journal of the Academy of Marketing Science*, 40 (2): 347-363.

Karamchandani A., M. Kubzansky, and N. Lalwani. 2011. “Is the Bottom of the Pyramid really for you?” *Harvard Business Review*, 89 (3): 107-111.

Karnani, A. 2007. “Mirage of marketing to the bottom of the pyramid: how the private sector can help alleviate poverty.” *California Management Review*, 49 (4): 90-111.

Klein, S. and C. Loebbecke 2000. “The transformation of pricing models on the web: examples from the airline industry.” In *13th International Bled Electronic Commerce Conference*, 19-21.

Kline, S.J. and N. Rosenberg. 1986. “An overview of innovation.” In *The Positive Sum Strategy: Harnessing Technology for Economic Growth*, edited by R. Landau and N. Rosenberg, 275–305. Washington, D.C.: National Academy Press.

Kolk, A., and F. Lenfant. 2012. “Business-NGO collaboration in a conflict setting: Partnership Activities in the Democratic Republic of Congo.” *Business and Society*, 51 (3):478-511.

Kolk, A., and R. Van Tulder, 2010. “International Business, Corporate Social Responsibility and Sustainable Development.” *International Business Review*, 19 (2)119-125.

Kolk, A., Miguel Rivera-Santos and Carlos Rufin. 2012. “Reviewing a decade of research on the ‘Base/Bottom of the Pyramid’ (BOP) Concept.” *Business & Society, Forthcoming*.

Kwanyoung Im and Hyunbo Cho. 2013. "A systematic approach for developing a new business model using morphological analysis and integrated fuzzy approach." *Expert Systems with Applications*, 40 (11): 4463–4477.

Leszinski, R. and M. V. Marn. 1997. "Setting Value, Not Price." *Industrial Launderer*, (48): 51-58.

Lewis, J. D. 1995. *The Connected Corporation: How Leading Companies Win Through Customer-Supplier Alliances*. New York: Free Press.

Linder and Cantrell, 2000. Changing business models: Surveying the landscape. *Institute for Strategic Change Accenture*, 1-15.

Linna Paula and Ulf Richter. 2011. "Technology entrepreneurship-potential for social innovation? The case of Kenyan mobile industry companies." *International Journal of Business and Public Management*, 1 (1): 42-50.

London, T. and Stuart Hart. 2004. "Reinventing strategies for emerging markets: Beyond the transnational model." *Journal of International Business Studies*, 35 (5): 350-370.

London, T., Ravi Anupindi, and Sateen Sheth. 2010. "Creating mutual value: Lessons learned from ventures serving base of the pyramid producers." *Journal of Business Research*. 63 (6):582–594.

London, T. and Stuart Hart. 2011. *Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value*. Upper Saddle River, NJ: FT Press.

London, T., Stuart Hart, and J. Barney. 2011. "Next generation base of the pyramid strategy." *Academy of Management Conference*. San Antonio.

MacBeth, D. K. and N. Ferguson. 1994. *Partnership sourcing*. London: Pitman.

Markides, C. 1999. "A dynamic view of strategy." *Sloan Management Review*, 40 (3): 55–63.

Mayser, Sabine and Florian von Wangenheim. 2012. "Perceived Fairness of Differential Customer Treatment: Consumers' Understanding of Distributive Justice Really Matters." *Journal of Service Research*, 16 (1): 99-113.

Mohr, Jakki, Sanjit Sengupta, and Stanley Slater. 2012. "Serving base-of-the-pyramid markets: meeting real needs through a customized approach." *Journal of Business Strategy*, 33 (6): 4-14.

Nakata, Cheryl and Kelly Weidner. 2012. "Enhancing New Product Adoption at the Base of the Pyramid: A Contextualized Model." *Journal of Product Innovation Management*, 29 (1): 21–32.

Nidumolu, Ram, C. K. Prahalad, and M. R. Rangaswami. 2009. "Why Sustainability Is Now the Key Driver of Innovation." *Harvard Business Review*, 87 (9): 56-64.

NORAD (Norwegian Agency for Development Cooperation). 2010. *Evaluation of Norwegian Business-related Assistance South Africa Case Study*. Accessed April 4, 2013. <http://www.oecd.org/derec/norway/45897429.pdf>.

Norman, W. and C. MacDonald. 2004. "Getting to the Bottom of Triple Bottom Line." *Business Ethics Quarterly*, 14 (2): 243-262.

OECD (Organization for Economic Co-operation and Development). 2013. "Country statistical profile: South Africa 2013." Accessed May 6, 2013. http://www.oecd-ilibrary.org/economics/country-statistical-profile-south-africa_csp-zaf-table-en.

OECD (Organization for Economic Co-operation and Development). 2013. "Economic Survey of South Africa." Accessed May 12, 2013. <http://www.oecd.org/economy/surveys/southafrica2013.htm>.

OECD (Organization for Economic Co-operation and Development). 2013.

“Information by Country: South Africa.” Accessed May 4, 2013.

<http://skills.oecd.org/informationbycountry/southafrica.html>.

OECD (Organization for Economic Co-operation and Development). 2013.

“South Africa.” Accessed May 4, 2013. <http://www.oecd.org/southafrica>.

OECD (Organization for Economic Co-operation and Development). 2013.

“Statistics Directorate”. Accessed August 26, 2013.

<http://www.oecd.org/std/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm>.

Osterwalder, Alexander. 2013. “Business Model Beyond Profit. “ Accessed August 26, 2013 <http://www.slideshare.net/Alex.Osterwalder/business-models-beyond-profit-social-entrepreneurship-lecture-wise-etienne-eichenberger-iqbal-quadir-grameen-bank-grameen-phone>

Osterwalder, Alexander. 2004. *The Business Model Ontology. A Proposition in a Design Science Approach. Institut d’Informatique et Organisation*. Lausanne, Switzerland: University of Lausanne.

Osterwalder, Alexander and Yves Pigneur. 2010. *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*. New Jersey: John Wiley and Sons.

Osterwalder, Alexander, Sarra Ben Lagha, and Yves Pigneur. 2002. “An Ontology for Developing e-Business Models.” *IFIP DsiAge*.

PESTEL Analysis. 2013. “PESTEL ANALYSIS”. Accessed August 26, 2013.

<http://pestleanalysis.com/>

Pitt, L., Pierre Berthon, and Jean-Paul Berthon. 1999. "Changing Channels: The Impact of the Internet on Distribution Strategy." *Business Horizons*, 42 (2): 19-28.

Porter, M. 1985. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.

Porter, M. 2008. "The Five Competitive Forces that Shape Strategy." *Harvard Business Review*, 25: 86-104.

Porter, M. 1991. "Towards a dynamic theory of strategy." *Strategic Management Journal*, 12: 95–117.

Prahalad, C., K. 2012. "Bottom of the Pyramid as a Source of Breakthrough Innovations." *Journal of Product Innovation Management*, 29 (1): 6–12.

Prahalad, C. K. 2006. *The Fortune at the bottom of the Pyramid: Eradicating Poverty Through Profits*. India: Pearson Education.

Prahalad, C.K., and Hammond, A. 2002. "Serving the World's Poor, Profitably." *Harvard Business Review*, 80 (9): 4-11.

Prahalad, C.K. and M.S. Krishnan . 2008. *The New Age of Innovation: Driving Co-Created Value Through Global Networks*. USA: McGraw-Hill.

Prahalad, C.K. and R.A. Mashelkar. 2010. "Innovation's Holy Grail." *Harvard Business Review*, 88 (7/8): 132-141.

Prahalad, C., K. and Stuart, Hart 1999. "Strategies for the Bottom of the Pyramid: Creating Sustainable Development." *Harvard Business Review*, 1-26.

Prahalad, C. K. and Stuart Hart. 2002. "The Fortune at the Bottom of Pyramid." *Strategy + Business*,(26): 1-14.

Ragin, C. and Lisa Amoroso. 2011. *Constructing Social Research*. USA: Sage.

Ramani, S., Shuan Sadre Ghazi, and Geert Duysters. 2012. "On the Diffusion of Toilets as Bottom of the Pyramid Innovation: Lessons from Sanitation Entrepreneurs." *Technological Forecasting and Social Change*, 79 (4): 676–687.

Reficco, E. and Patricia Márquez. 2012. "Inclusive Networks for Building BOP Markets." *Business and Society*, 51(3): 512-556.

Richards, David. 1996. "Elite interviewing: approaches and pitfalls." *Politics*, 16 (3): 199-204.

Rivera-Santos, M. and Carlos Rufin 2010. "Global Village vs. Small Town: Understanding Networks at the Base of the Pyramid." *International Business Review*, 19 (2): 126-139.

Rivera-Santos, M., Carlos Rufin, and A. Kolk. 2012. "Bridging the institutional divide: Partnerships in subsistence markets." *Journal of Business Research*, 65 (12): 1721–1727.

Rubesch, E. 2005. "Incorporating informal channels into market entry strategies for emerging markets." Paper presented at *the Australia and New Zealand Marketing Conference*, 5-7.

Rust, Roland T., Christine Moorman, and Gaurav Bhalla. 2010. "Spotlight on Reinvention: Rethinking Marketing." *Harvard Business Review*, 88 (1/2): 94-101.

Ruvinsky, J. 2011. "Making the News." *Stanford Social Innovation Review*, 9-23

Sanchez-Fernandez, R. and Iniesta-Bonillo, M.A. 2007 "The Concept of Perceived Value: A Systematic Review of the Research." *Marketing Theory*, 7(4): 427–51.

Sanchez, Pablo, and Joan E. Ricart. 2010. "Business model innovation and sources of value creation in low-income markets." *European Management Review*, 7(3): 138-154.

Schuster, Tassilo and Dirk Holtbrugge .2013. "Benefits of cross-sector partnerships in markets at the base of the pyramid." *Business strategy and the environment*, 1-16.

-
- Seelos, C., and J. Mair. 2007. "Profitable business models and market creation in the context of deep poverty: A strategic view." *Academy of Management Perspectives*, 21 (4): 49–63.
- Sehgal, Vikas, Edward Tse, Sudipta Bhattacharya and Ganesh Panneer. 2010. "Understanding the forgotten billions meeting the world's least advantaged consumers where they live." *Perspective, Booz&co Articles*, 1-13.
- Shafer, S., J. Smith, and J Linder. 2005. "The Power of Business Models." *Business Horizon*, 48 (3): 199-207.
- Simanis, E. and Stuart Hart. 2008. *The base of the pyramid protocol: Toward next generation BoP strategy*. 2nd ed. Ithaca, NY: Cornell University.
- Simanis, E., Stuart Hart, and Duncan Duke. 2008. "The Base of the Pyramid Protocol: Beyond "Basic Needs" Business Strategies" *MIT Press Journals*, 3 (1): 57-84.
- Slater, S. F. and J. C. Narver. 1998. "Customer-led and market-oriented: Let's not confuse the two." *Strategic Management Journal*, 19 (10): 1001–1006.
- Slywotzky, Adrian, Peter Baumgartner, Larry Alberts, and Hanna Moukanas. 2006. "Are you enjoying globalization yet? The surprising implications for business." *Journal of Business Strategy*, 27 (4): 23-32.
- Solaimani, S., and Harry Bouwman. 2012. "A framework for the alignment of business model and business processes. A generic model for trans-sector innovation." *Business Process Management Journal*, 18 (4): 655-679.
- South African Department of Labour. 2013. "Home." Accessed May 5, 2013. <https://www.labour.gov.za/DOL>.
- South African Department of Water Resources. 2013. "About Us." Accessed May 5, 2013. <http://www.dwa.gov.za/about.aspx#vision>.

South African Government Information, 2013. "About SA - Economy." Accessed May 8, 2013. <http://www.info.gov.za/aboutsa/economy.htm>.

South African Government Information. 2013. "About SA - South Africa at a glance." Accessed May 8, 2013. <http://www.info.gov.za/aboutsa/glance.htm>.

South Africa Info. 2013. "Electricity." Accessed May 6, 2013. <http://www.southafrica.info/services/consumer/electricity.htm>.

South Africa Info. 2013. "Telecommunications." Accessed May 6, 2013. <http://www.southafrica.info/business/economy/infrastructure/telecoms.htm>.

South African Revenue Service. 2013. "Home". Accessed August 26, 2013. <http://www.sars.gov.za/Pages/default.aspx>

South African Tourism. 2013. "South Africa Fast Facts." Accessed May 6, 2013. <http://www.southafrica.net/za/en/articles/entry/fact-sheet-south-africa-fast-facts>.

Stabell, C. and Øystein Fjeldstad. 1998. "Configuring value for competitive advantage: On Chains, shops, and networks." *Strategic Management Journal*, 19: 413–437.

Subrahmanyam, Saroja and Tomas Gomez-Arias. 2008. "Integrated approach to understanding consumer behavior at Bottom of Pyramid." *Journal of Consumer Marketing*, 25 (7): 402-412.

Thagaard, T. 2009. *Systematikk og Innlevelse: En Innføring i Kvalitativ Metode*. Bergen: Fagbokforlaget.

The BOP Innovation Center. 2012. "Developing BoP Partnerships - collective impact at the base of the pyramid." Accessed August 26, 2013. <http://www.bopinc.org/en/updates/publications/item/192-developing-bop-partnerships>

The Department of Communication. 2013. "Home". Accessed August 26, 2013.
<http://www.doc.gov.za/>

The Department of Trade and Industry. 2013 "Broad-based Black Economic Empowerment" Accessed May 11, 2013.
http://www.dti.gov.za/economic_empowerment/bee.jsp.

The Guardian. 2012. "Africa's failing education system benefits white people - and me." Accessed May 1, 2013.
<http://www.guardian.co.uk/world/2012/nov/14/south-africa-education-white>

The International Center Not-for-Profit Law. 2013. "Home." Accessed August 26, 2013. <http://www.icnl.org/>

The International Monetary Fund. 2013. "World Economic Outlook Database." Accessed August 26, 2013.
<http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx>

The National Department of Health. 2013. "Home." Accessed May 7, 2013.
<http://www.doh.gov.za>.

The Online Business Dictionary. 2013. "Resource-based-view." Accessed May 13, 2013.
<http://www.businessdictionary.com/definition/resource-based-view.html>

The World Bank. 2013. "Country and Lending Groups." Accessed April 4, 2013.
<http://data.worldbank.org/about/country-classifications/country-and-lending-groups>.

The World Bank. 2012. "New Estimates Reveal Drop In Extreme Poverty". Accessed August 26, 2013.
<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,contentMDK:23129612~pagePK:64165401~piPK:64165026~theSitePK:469372,00.html>.

Ucaktürk, Ahmet, Mustafa Bekmezci, and Tülay Ucaktürk. 2011. "Prevailing during the periods of economical crisis and recession through business model innovation." *Procedia-Social and Behavioral Sciences*, 24: 89–100.

UNECA (United Nations Economic Commission for Africa). 2013. "Economic Report on Africa 2013." Accessed May 7, 2013, from: <http://new.uneca.org/publications/economic-report-africa-2013>.

Utterback, J. M. 1994. *Mastering the dynamics of innovation*. Boston: Harvard Business School Press.

Venn, Ronald and Nicola Berg. 2013. "Building competitive advantage through social intrapreneurship", *South Asian Journal of Global Business Research*, 2 (1): 104 – 127.

Viswanathan, M., A. Seth, R. Gau, and A. Chaturvedi. 2007. "Doing well by doing good: pursuing commercial success by internalizing social good in subsistence markets." *Academy of Management Proceedings*, 2007 (1): 1-6.

WCED (The World Commission on Environment and Development).1987. *Our Common Future*. Accessed 6 April, 2013. <http://www.un-documents.net/our-common-future.pdf>.

Wheeler, D., J. Thomson, M. Prada, K. McKague, R. Davies, and J. Medalye. 2005. "Creating sustainable local enterprise networks." *MIT Sloan Management Review*, 47 (1): 33–40.

Williamson, O. E. 1975. *Markets and Hierarchies - Analysis and Antitrust Implications: A Study in the Economics of Internal Organization*. New York: Free Press.

Withagen, C. and Smulders Sjak. 2012. "Green Growth: Lessons from Growth Theory." *World Bank Policy Research Working Paper*, 6230.

WHO (World Health Organization: Regional Office for Africa). 2009. "Country Cooperation Strategy." Accessed May 6, 2013. <http://www.afro.who.int/en/south-africa/country-cooperation-strategy.html>.

World Wildlife Fund. 2013. "World Water Balance Programme: Freshwater in South Africa." Accessed May 11, 2013. http://www.wwf.org.za/what_we_do/freshwater/water_balance.

Yin, R.K. 2009. *Case study research: Design and Methods*. 4th ed. Thousand Oaks, CA: Sage Publications.

Yip, George S. 2004. "Using Strategy to Change Your Business Model." *Business Strategy Review*, 15 (2): 17–24.

Yourdon, E. 2000. "CRM: An introduction." *Cutter IT Journal*, 13 (10): 1–3.

Yunus, Muhammad., Bertrand Moingeon and Laurence Lehmann-Ortega. 2010. "Building Social Business Models: Lessons from the Grameen Experience." *Long Range Planning*, 43 (2-3): 308-325.

Yüksel, İhsan . 2012. "Developing a multi-criteria decision making model for PESTEL analysis." *International Journal of Business and Management*; 7 (24): 52-78.

Zain, Mohamed and Siew Imm Ng. 2006. "The impacts of network relationships on SMEs' internationalization process." *Thunderbird International Business Review*, 48 (2): 183-205.

Zala, L. N. and N. R. Patel. 2009. "The rural Information Centre: A Gateway for Sustainable Development." *SRELS Journal of Information Management*, 46 (2): 179-188.

Zook, Chris and James Allen. 2010. *Profit from the Core: A Return to Growth in Turbulent Times*. Boston, MA, USA: Harvard Business Press.

Zott, Christoph., Raphael Amitt, and Lorenzo Massa. 2011. "The Business Model: Recent Developments and Future Research." *Journal of Management*, 37 (4): 1019-1042.

Preliminary Master Thesis
BI Norwegian Business School

- Innovative Business Models:
How to operate successfully in
low-income markets -

Exam code and name:

GRA19002 Master Thesis

Program:

Master in Innovation and Entrepreneurship

Supervisor Name:

Heidi W. Aslesen

Hand in date:

29.01.2013

Place of Study:

BI Oslo

Table of Contents

TABLE OF CONTENTS.....	1
SUMMARY	2
1 INTRODUCTION.....	3
1.1 OBJECTIVE OF THE THESIS	4
1.2 PROBLEM STATEMENT	5
1.3 RESEARCH AREA.....	5
<i>1.3.1 Relevance.....</i>	<i>5</i>
1.4 HYPOTHESES-PRELIMINARY MASTER THESIS	5
1.5 LIMITATIONS	6
2. THEORETICAL FRAMEWORK	7
2.1 MULTINATIONAL COMPANIES	7
<i>2.1.1 MNC Advantages.....</i>	<i>8</i>
<i>2.1.2 Result: Hypothesis 1</i>	<i>9</i>
2.2 THE BOTTOM OF THE PYRAMID.....	9
<i>2.2.1 Conclusion- Key Elements.....</i>	<i>11</i>
<i>2.2.2 Debate: The Potential of low-income Markets.....</i>	<i>11</i>
<i>2.2.3 Result: Hypothesis2</i>	<i>13</i>
<i>2.2.4 Challenges in low-income Markets</i>	<i>13</i>
<i>2.2.5 Conclusion-Business Models BoP</i>	<i>16</i>
2.3 BUSINESS MODEL THEORY	16
<i>2.3.1 Classification and Definition.....</i>	<i>17</i>
<i>2.3.2 Business Model Innovation.....</i>	<i>20</i>
3 RESEARCH METHODOLOGY	21
3.1 HYPOTHESES –MASTER THESIS.....	22
3.2 RESEARCH DESIGN.....	22
3.3 RESULTS	24
4 REFERENCES.....	25

Summary

The following Preliminary Master Thesis is a contribution to the ongoing discussion in the academic world about the Bottom of the Pyramid as an uncaptured growth opportunity for business operations. In the aspect of innovative business models several investigations of literature are conducted and therewith valuable insights around the subject uncovered to prepare a in-depth research for the future Master Thesis.

In the first section of this work the reader is introduced to the research topic in order to get an appropriate impression and framework of the course of action this Preliminary Thesis will pursue. As guidance, the objective of the Thesis is reviewed, followed by the problem statement, the research area and the relevance of the research topic.

In the second part of this Preliminary Master Thesis the reader is introduced to the research topic and the theoretical background thereof, in order to get an appropriate overall-understanding of the respective theme on which the work is based. Multinational companies and the advantages they possess in low-income markets are analyzed, as are the activities of MNCs currently operating in low-income markets. Results reveal that MNCs are indeed very well fitted to seize the given opportunity of low-income markets. The next section discusses the Bottom of the Pyramid, defining it and reviewing the potentials and challenges within it. Through a debate the reader gets insights about the ambivalence of this largely unknown market. Through the former investigations several key elements are uncovered that give necessary and valuable information for actors wanting to operate in low-income markets. All in all, it became clear that there is indeed lies an uncaptured potential in low-income markets, but that innovative business models are needed to tap the potential successfully. Building on this, the final piece of theory focuses on business models; defining them and classifying them in order to narrow down the future research focus.

The third and final section for this Preliminary paper which forms the basis of the full-length Master Thesis is that of research methodology. This section discusses the hypotheses developed, the research design and the results made.

1 Introduction

4 Billion people, the majority of the world's population, live on less than US\$2.50 per day, which equals an annual income of less than \$1500. Compared with 100 million wealthy consumers with more than \$20,000 in annual income, these alarming numbers not only raise ethical, but also economical questions. (Prahalad and Hart 2002) Low-income markets due to low purchasing power parity have to date been largely ignored by the business world. Contrary to common misconception, experts in the field of low-income markets believe that it is possible to capture untapped growth opportunities, amass fortunes while simultaneously relieving billions of people from poverty and inequalities. (Prahalad and Hart 2002; Prahalad and Hammond 2002)

The Bottom of the Pyramid, until recently an uncared for market segment, at least from the West's point of view, has a great potential not only due to its enormous dimension, but also due to the lack of products and solutions related to energy, transportation, water, materials and financial services (Hart 2010).

Although companies have started to recognize low-income markets, they are still ignoring the facts, focusing on the wealthy consumers at the Top of the Pyramid, a highly saturated market segment (Hart 2010). This leads one to ponder whether the perception of low-income countries as solely a source to cheap labor is an outdated notion which needs to be rethought. If so, firms who aspire to reap the full benefits of low-income markets need to learn how to appeal to the billions of people who live and breathe a vastly different reality.

Currently mostly social entrepreneurs and non-governmental organizations recognize and view the world's poorest economic groups as consumers. Private sector companies who still focus on wealthy consumers will soon be mired in saturated markets with few significant growth opportunities (Hart 2010). This presents a win-win situation, as large companies have the ability to capture these new markets with innovations that produce a better way of live for the poorest of our world. It is important to get private firms on-board as they have the necessary

resources to act effectively while making large-scale societal changes.

Although the business potential of the Bottom of the Pyramid is yet to be captured, venturing into this uncharted territory also presents unique challenges. Traditional business approaches are inappropriate methods for capturing this market segment and as such have to be revolutionized by breaking free from the established mindsets that have constrained incumbent firms so far. Corporations have to understand the dynamics of these markets and the process of innovation therein (Prahalad 2012). Although most research to date has been done on the issues of technology, intellectual property rights and rule of law in low-income markets, the fundamental challenge may be that of business model innovation. To date the analysis of business models has been done without a conceptual framework and has often been confused with business strategy (Hart 2010; Yip 2004; Shafer et al. 2005). Evidently there is a lack of academic consensus on the elements that determine a superior business model.

Hence the question arises of how firms can tap the business potential of the Bottom of the Pyramid? What are the key elements required for innovative business models to fit the nature of the BoP? The following Master Thesis will investigate this research area by uncovering the answers to various questions, in hopes of being able to provide guidelines to firms on how to operate successfully in the Bottom of the Pyramid.

1.1 Objective of the Thesis

This Master Thesis will cover the concept of the Bottom of the Pyramid. Are there uncaptured business opportunities for companies in emerging markets? What are the potential challenges firms will face at the Bottom of the Pyramid? What are the success factors in operating at the Bottom of the Pyramid? By investigating the concept of business models in connection to the BoP, this Master Thesis will clarify how private sector firms can operate at the Bottom of Pyramid garnering profit while diminishing poverty. Utilizing all the findings of this research and analysis, this Master Thesis will provide guidelines on how to operate

successfully in low-income markets.

1.2 Problem Statement

Until recently, the huge potential of the Bottom of the Pyramid is mostly understood and utilized by entrepreneurs rather than the private sector. Private sector firms need to become wise to the fact that low-income markets present an untapped segment with great opportunities. Unfortunately, the majority of private sector companies currently operating at the Bottom of the Pyramid tend to be more damaging than helpful (Hart 2010). This can only be changed if business actors gain a new perspective on this socio-economic group with the world's lowest purchasing power.

1.3 Research Area

This Master Thesis' research parameters concentrate on Norwegian multinational companies operating at the Bottom of the Pyramid in low-income markets. The area investigated will be business models with a focus set on relationships and networks as strategies to capture low-income markets.

1.3.1 Relevance

The Bottom of the Pyramid deserves the attention of the business world as it presents great potential, both for the private sector and the consumers living in this tier. Markets in the Western world are currently saturated and provide very few growth opportunities. Furthermore, by investing in low-income markets, private companies can help diminish poverty and inequalities while gaining fortunes. Relationships are seen as a key element of innovative business models in up-to-date literature, yet this concept is rarely integrated into the strategies of MNCs operating at the Bottom of the Pyramid.

1.4 Hypotheses-Preliminary Master Thesis

- **Hypothesis 1:** Multinational companies are well-fitted to capture the market segment in low-income markets.

-
- **Hypothesis 2:** There is an un-captured financial potential at the Bottom of the Pyramid.
 - **Hypothesis 3:** Innovative business models are needed in order to best capture the market potential at the Bottom of the Pyramid.
 - **Hypothesis 4:** Relationships and networks play a key role in the success multinational companies experience when operating at the Bottom of the Pyramid with interactive business models.

1.5 Limitations

The key elements of a successfully innovative business model for operating at the Bottom of the Pyramid will be uncovered. However due to the restrictions in length the focus will be set on relationships and networks through in-depth research analyses. Similarly, rather than focusing on all actors of the private sector, the research will concentrate solely on opportunities for multinational companies. Furthermore we limit the research to Norwegian MNCs operating at the Bottom of the Pyramid. Whether or not further restrictions with regards to industry sectors is necessary, will be revealed once the research of the Master Thesis commences.

2. Theoretical Framework

The discussion surrounding who should invest in the Bottom of the Pyramid is large and vast. The far too commonly accepted and highly outdated notion is that the “poor are wards of the state.” C.K. Prahalad argues in his work *Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* that it is vital to “mobilize the resources, scale and scope of large firms to co-create solutions [for] the problems at the Bottom of the Pyramid.” Furthering his argument, Prahalad underlines that the BoP must become a “key element in the central mission for large private-sector firms [in order to sustain] energy, resources and innovation.” (C. K. Prahalad, 2006) To limit the scope and to ensure a clear focus in this Master Thesis, we have chosen to focus specifically on one portion of private-sector firms, namely multinational companies

2.1 Multinational Companies

As the term multinational companies are utilized worldwide in a plethora of industries, it can be defined in a variety of ways. According to the UN Committee on Trade and Development, MNCs are “large companies that conduct their business in several states” (UNCTD 2004) For clarity and simplicity this definition will stand in this Master Thesis which explores whether or not MNCs are well-fitted to operate successfully in the Bottom of the Pyramid and how they can do so through innovative business models, relationships and networks.

To date, the majority of multinational companies who have engaged and sought fortune in the Bottom of the Pyramid have failed miserably (Hart 2010). This is not to say that all MNCs who have entered low-income markets have failed, but the overall result has been dismal to date. Hart (2010) argues that this is due to the fact that the strategies deployed by MNCs, have relied too heavily on the idea that one size fits all. C.K. Prahalad agrees with this perspective by focusing on inclusive capitalism. He argues that companies must understand and motive the Bottom of the Pyramid by co-creating unique solutions (2006). As there exists a rich debate around how to succeed as an MNC in low-income markets, this Master Thesis will pick up where the literature leaves of. This project will seek to uncover how MNCs can utilize and adapt innovative business models at the

Bottom of the Pyramid in order succeed.

2.1.1 MNC Advantages

The advantages that multinational companies possess at the Bottom of the Pyramid are bountiful and as such there is a plethora of compelling reasons to take steps to explore opportunities in low-income markets. For the purpose of this work, the advantages will be classified into four categories. The first advantage MNC's can claim is their resource capacity. Developing infrastructure in low-income markets is resource and management intensive, requires in-depth research and extensive efforts. As few local entrepreneurs possess the resources and ability to overcome the challenges around developing infrastructure, this aspect of the BoP presents a great advantage for MNCs who enter the market. (Hart 2010)

MNCs also possess an advantage at the Bottom of the Pyramid in the sense of convening power. In other words, MNCs have the power and ability to unite the actors required to reach the BoP successfully. MNCs due to their ability to provide commercial infrastructure, access to knowledge, managerial and financial resources, are expertly positioned to work with NGOs, communities, governments, entrepreneurs and other multilateral agencies to develop low-income markets successfully and sustainably. (Hart 2010)

The third advantage which MNCs are equipped with is the ability to transfer knowledge. Due to their size, MNCs can utilize their unique global knowledge and position by transferring best practices and know-how from one BoP market to another. Naturally specifics and details of practices and products need to be customized in order to appeal to local needs. Multinational companies such as Unilever serve as an example of how one may successfully transfer knowledge from China to Brazil to India. (Hart 2010) This fact gives MNCs a great advantage which is not easily accessible to local entrepreneurs.

The fourth and final advantage that MNCs enjoy is upmarket migration. In addition to being able to move knowledge and key learning's across the base of the pyramid, MNCs are able to move innovations up-market through all the levels

of the pyramid. Since the BoP is a fertile breeding ground for innovations that produce sustainable results, these developments can be transferred and adapted for the “resource- and energy-intensive markets of the developed world.” (Hart 2010)

Despite the overwhelming evidence, until now, MNCs have not played a main role as an operating party in the BoP. Rather entrepreneurs, NGOs and local business people who are in possession of far fewer resources and capabilities, have been more innovative and therewith stimulated the progress in low-income markets (Hart 2010).

2.1.2 Result: Hypothesis 1

The aforementioned research underlines that MNCs are well-suited to operate in the Bottom of the Pyramid. The first hypothesis turns out to be right.

Multinational companies are well-fitted to capture the market segment in low-income markets. As such, this Master Thesis will build upon this theory and explore it further.

2.2 The Bottom of the Pyramid

Low-income markets exist of consumers with low-income and in the following segments we will refer to the Bottom of the Pyramid (BoP) as the poorest socio-economic group of our world's society (Hammond et al. 2007).

In their article *The Fortune at the Bottom of the Pyramid* C.K. Prahalad and Stuart L. Hart assert on basis of the economic pyramid that investments of multinational companies in the BoP will lead to rewards including growth, profits and positive contributions to humankind. In detail they refer to their assumption that selling to the poorest socio-economic group, will relieve billions of people from poverty and simultaneously enable MNC's in capturing untapped growth opportunities. The respective pyramid, also called the Economic Pyramid, refers to the categorization of the world population according to the purchasing power parity. The economic pyramid is subdivided in four tiers:

Annual Per Capita Income*	Tiers	Population in Millions
More Than \$20,000	1	75-100
\$1,500-\$20,000	2 & 3	1,500-1,750
Less Than \$1,500	4	4,000

Figure 1: The Economic Pyramid
(Prahalad and Hart 2001)

At the top of the economic pyramid are 75 to 100 million wealthy consumers from around the world with more than US\$20,000 in annual income. This first tier is composed of middle- and upper-income people. In the second and third tier are customers from developed nations as well as the rising middle classes in developing countries. There are 1,500–1,750 million people in this tier with an annual capital income of US\$1,500– US\$20,000 on average.

In the fourth and final tier, the Bottom of the Pyramid, are four billion people with an annual per capita income of less than US\$1,500 based on purchasing power parity which is the minimum amount considered necessary to sustain a decent life. Given its enormous size, this fourth tier presents a multi trillion-dollar market.

From the aforementioned theory three important facts can be concluded about the Bottom of the Pyramid (Karnani 2007; Prahalad and Hart 2001; Prahalad 2012):

1. By operating at the Bottom of the Pyramid, MNCs can bring prosperity to the poor, and thereby help alleviate poverty.
2. There is a lot untapped purchasing power at the Bottom of the Pyramid from which private companies can make significant profits.
3. The rise of relevance of the BoP market activities will require further research on the topic to better understand how business models in low-income markets can be profitable while generating social value (Sanchez Rodriguez and Ricart 2007).

2.2.1 Conclusion- Key Elements

Five guidelines can be drawn from the former theoretical investigations that give insights on basic elements an innovative business model needs to include to best fit the BoP. Firstly, operators that want to gain a foothold in low-income markets need to be aware of the risks and coherent challenges coming from the surrounding environment. Secondly, only thin profit margins can be gained since the price needs to be appropriate for the low-income level. From this aspect one can conclude that for a product or service to succeed in low-income markets it needs to appeal to the masses in order to gain volume and to operate profitable. Fourthly, this also means that costs have to be reduced heavily. All in all, these points challenge previous business thinking and models. Five key elements can be analyzed that need to be respected when operating at the BoP:

- 1) Cost reduction is crucial
- 2) Take in account and comprise environment
- 3) Thin profit margins are gained
- 4) Great masses of consumers are needed
- 5) The concept of business models must be rethought

The emergence of the BoP as a concept has sparked considerable interest in the business community around the world (Simanis et al. 2005). Despite this fact MNCs' codes of conduct commonly do not reflect this growing interest (Kolk and van Tulder 2006). The next portion of this work will investigate whether there are potential growth opportunities at the BoP or not.

2.2.2 Debate: The Potential of low-income Markets

What becomes clear from analyzing the pyramid is the potential of the BoP as a new market segment. Although it represents the poorest socio-economic group, it constitutes the majority of the world population; as opposed to the small percentage of the population that sits perched at the top. In the past, Western incumbent firms have mainly focused their attention on already existing markets. (Prahalad 2010) Indeed the majority of large companies seem to be mired in saturated markets with few significant growth opportunities (Hart 2010). At an

individual level, the purchasing power at the top is over 13 times higher than that at the bottom. However Prahalad (2010) suggest that by multiplying the population at a group level, the potential market revenue at the bottom is over three times higher than at the top. This calculation proves that there is in fact an untapped market potential at the base of the economic pyramid.

Several authors critique Prahalad and Hart's theory arguing that the potential of the market for MNCs is questionable. Though the combined income of the members in the BoP indicates the monetary potential in this tier which is indeed high, it is questionable as to how much a person in the BoP will actually spend considering that they live on less than US\$2.50 per day (Global Issues 2013). Karnani (2006) discusses this concept in his paper *Fortune at the Bottom of the Pyramid: A Mirage* and delivers the message that there is no fortune as the market at the BoP is generally too small monetarily to be profitable for most multinationals. He argues that local individuals and entrepreneurs should be involved in the process and concludes that one should regard human beings in the fourth tier as producers rather as buyers. Hart (2010) answers to this critique by stating that it is right to involve local people but he also highlights the inefficiency of incremental government policies which should instead be substituted by radical business experiments. Looking at the current state of business, several successful business operations conducted by local firms reinforce the original assumption that there is potential in the BoP. To exemplify this one can look at the Indian wireless business, in which three local firms have a market capitalization of about 40 billion (Prahalad 2012). This proves that Western MNCs such as Nokia, Samsung and LM Ericsson should not ignore this market, which is what they have done to date. Furthermore, although the money available per capita is low, there are clear indications that this tier presents value. H. Soto (2000) estimates in his book *The Mystery of Capital* that there are well over 9 trillion dollar in unregistered assets in the rural villages and urban slums around the world.

Low-income markets show promise not only in demographic growth but also in income growth (UNCTAD 2006). The Economist states in 2010 that the BoP's share of global GDP at purchasing power parity increased from 36% in 1980 to 45% in 2008 and is forecast to grow to 51% in 2014. In addition the optimism is

high among people in low-income markets. The Economist states in 2010 that a large majority of people in India (>70%) and China (>80%) feel their economy is going well. This may very well influence consumption and have positive effects on the willingness to consume.

2.2.3 Result: Hypothesis2

The previous research analyses and the following discussion reveal that there is a un-captured financial potential at the Bottom of the Pyramid. As such, this Master Thesis will build upon this theory and explore it further.

2.2.4 Challenges in low-income Markets

Once the perception that low-income markets present great potential has been accepted, one must identify the challenges and strive to discover solutions. As the focus of MNCs' have to date been on the top tiers, their views of business are conditioned by their knowledge and familiarity of those market segments. It is vital to recognize that potential customers of the fourth tier live under vastly different standards and conditions. The group at the Bottom of the Pyramid has little or no formal education and is hard to reach via conventional distribution, credit, and communications (Prahalad and Hart 2001). This presents challenges to the usual business managerial assumptions and traditional strategies of conduct which may not be appropriate for targeting low-income markets.

Reaching the four billion people in low-income markets poses both tremendous opportunities but also unique challenges. The Economist states in 2010 that low-income markets are among the toughest in the world. Conditions such as unpredictable income streams, pollution, corruption, pirating, non-functioning distribution systems, weak infrastructure and more make the environment of the BoP significantly different from that of the Top of the Pyramid (ToP). Due this fact, major innovation on business models of companies are required in order to develop successful strategies for this unique market segment (Anderson and Markides 2007; Hart and London 2004). As a result of the presence of these challenges in less developed countries, the context of these markets is distinct from those found in advanced industrial economies.

In order to provide guidelines to MNCs wishing to operate or currently operating at the BoP, a theory-driven and systematic approach is needed (Simanis et al. 2005; Wheeler et al. 2005). M. Rivera-Santos and C. Ruffin (2010) suggest a differentiation between the competitive and institutional environment, which is appropriate as MNCs will face the most severe contrasts in these particular realms. The assumption behind this approach is that analyzing the differences between BoP and ToP in these aspects, will uncover the specific differences for innovative business models in contrast to the traditional ones:

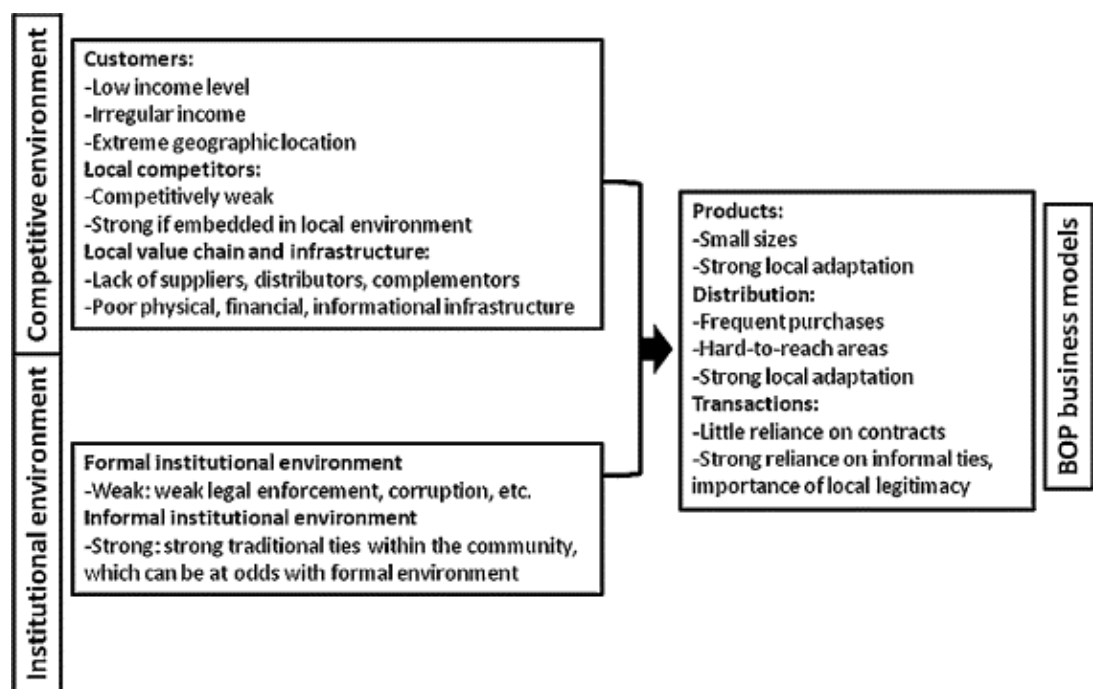


Figure 2: The BoP Environment: Competitive and Institutional Environments
(Rivera-Santos and Ruffin 2010)

2.2.4.1 The Competitive Environment at the BoP

The above illustration shows that differences exist between the competitive and institutional environment at the BoP. While MNCs that operate at the ToP are accustomed to consumers with high-income level, purchasers in the BoP who have a low-income level and tend to have an irregular income which means they typically cannot predict their revenue, even in the short-run (Dawar and Chattopadhyay 2002; Johnson 2007). Furthermore these consumers may either be geographically dispersed or live in densely populated areas both of which lead to

isolation commonly combined with strong local culture and less similarities with national and international consumer habits (Rivera-Santos and Ruffin 2010).

Furthermore the structure in terms of competition is vastly different at the BoP, where local firms to a much higher degree play an important role. This concept increases if the firms are embedded in the informal environment and are linked to local powers (Rivera-Santos and Ruffin 2010). As such entering the BoP is not, as often stated in strategic theory like “Blue-Ocean” (Kim and Mauborgne 2005) or “competing against non-consumption” (Christensen and Hart 2002) but rather involves competing against local players embedded in the informal institutions of the BoP. In addition key elements of the value chain such as suppliers, complements and the distribution systems do not exist in the same way as they do in Western markets and there are gaps in the economic and information infrastructure (Rivera-Santos and Ruffin 2010).

2.2.4.2 The Institutional Environment at the BoP

Weak institutional environments are the main factor that hinders businesses from undertaking ventures in BoP markets. These vulnerable environments do not provide the essential support necessary to foster economic activity (UNCTAD 2006). Naturally this affects corporations who operate in these markets as they are required to adopt their business models to fill these institutional gaps (Khanna and Palepu 2000). The results of these gaps are extensive since regulations and laws, standard in ToP markets, are more absent than common and lead to informal dispute resolution (Ricart et al. 2004) In these markets, formal institutions are replaced with strong traditional ties within communities (London and Hart 2004). The conclusion of prior research is that an absence of institutional norms leads to informal ones (London and Hart 2004). This has grand consequences for business undertakings because in addition to that firms have to be aware of corruption, non-existing property rights and low protection for workers, a mind shift of conducting business in a strong institutional environment to a weak institutional environment has to emerge. The question in focus here is how to handle the formerly named conditions. Researchers agree that transactions secured through formal contracts as is usual in ToP markets need to be substituted with

relationships and networks (Rivera-Santos and Ruffin 2010; Hart 2010; Rivera-Santos and Ruffin 2010; Prahalad 2012).

2.2.5 Conclusion-Business Models BoP

Conclusions that can be drawn at this point from Figure 2 are that the nature of products and services has to change by starting with the needs of poor customers and working backwards by reducing the product to its core essentials. The low purchasing power parity affects the business models directly as it demands smaller product sizes due to factors such as affordability. In essence, the need for a strong local adaptation must be respected and fulfilled. Once again, strong local adaptation needs to be respected and fulfilled.

For the transaction element of the business it holds true for BoP markets that firms can not rely on formal contracts, but rather focus on informal ties as well as acknowledge the importance local legitimacy, which they need to respect in their business model. (Rivera-Santos and Ruffin 2010)

It becomes clear that the nature of business models has to change, if MNCs want to operate successfully at low-income markets. Therefore, the next section will cover theory around business models and a deeper investigation of them.

2.3 Business Model Theory

“Business models can play a central role in explaining firm performance” (Amit et al. 2011). In an increasingly competitive and saturated marketplace, a firm’s ability to gain a competitive advantage and garner a proper foothold can make or break the venture. The “increased consensus that business model innovation is key to firm performance” highlights the need for a more in-depth understanding of the role business models play in garnering success in the Bottom of the Pyramid (Zott et al., 2011).

2.3.1 Classification and Definition

Defining a business model is a complex and daunting task because scholars challenge each other on what a business model is and the literature surrounding the term is highly siloed (Amit et al. 2011). Afuah and Tucci (2001) consider the business model as “an unifying construct for explaining competitive advantage and firm performance [and as such defines] it as the method by which a firm builds and uses its resources to offer its customer better value” while making profits while doing so (Amit et al. 2011). In the article *Business model innovation and sources of value creation in low-income markets*, Sanchez and Ricart (2010) highlight the importance of distinguishing the difference between business model and business strategy. Innovation expert Michael Porter says that “strategy is the creation of a unique and valuable position, involving a different set of activities” (Porter 1996). In contrast, business models reflect a company’s strategy and loops back to the firm’s logic, operations, and value creation (Sanchez and Ricart, 2010).

In their work, Sanchez and Ricart (2010) differentiate between what they call isolated and interactive business models. The first version of modeling has high intensity competition, low intensity complementary actors and a negative nature with its interdependencies. In essence, companies with isolated business models identify and exploit opportunities as fast as they can. On the flipside, interactive models create opportunities in collaboration with other actors and partners through an exploration strategy. Firms who practice this form of business experience low intensity with their competitors and high intensity with complimentary actors. Sanchez and Ricart (2010) propose analyzing business models by examining characteristics of the interdependencies between models and their ecosystems. They further suggest researching the different sources and mechanisms of value creation that the business models create. (Sanchez and Ricart 2010)

	Isolated business model	Interactive business model
Main actors in the interdependencies	- The competitors, either local or global, are influential actors in the	- Fringe stakeholders are participative actors in the configuration and

	business model configuration	implementation of the business model
Intensity of the interdependencies	- High with competitors - Low with complementary actors	- Low with competitors - High with complimentary actors
Nature of the interdependencies	- Negative: competitive character	- Positive: cooperative character
Effects on the ecosystem	- Incremental improvements due to more efficient systems of manufacturing and distribution	- Systematic changes due to the introduction of, or connection between, new actors, new technologies and new incentives that alter actor's behavior - Positive impact on development thanks to the interaction with fringe stakeholders and local partners
Underlying behaviours	- The firm individually identifies and exploits the opportunity as fast as possible - Company choices are focused on activating as quick as possible the virtuous cycles of its own business model	- The firm creates the opportunity jointly with local actors and partners through an iterative learning process - Company choices are focused on activating the virtuous cycles from its partners as mechanism to activate its own virtuous cycles

Table 1: Business Model Interdependencies.

(Sanchez and Ricart 2010)

{Note: The part shaded gray summarizes the consequences of the previous characteristics explained in the table}

This Master Thesis will mirror Sanchez and Ricart's approach of classifying business models according to their pattern of entry into low-income markets (2010). The first path is to take an isolated business model approach when entering the new market. Companies commonly utilizing the same approach in developing and traditional markets with some tactical adaptations. By supporting local partners and tailoring practices to the low-income market, a company is able to develop a 'local firm' flavor which appeals to the target consumer. Sanchez and Ricart (2010) identify two factors which can identify whether an isolated business model is the most effective approach: the level of munificence of the ecosystem and its level of dynamism. Munificence is considered the degree of available resources in the context while dynamism is the degree to which the market is marked by uncertainty (Sutcliffe and Huber 1998; Sanchez and Ricart 2010). Via

research it has been shown that “isolated business models are effective when the underlying theories of the business model have predictable effects and the firm’s resources and capabilities are enough valuable and sufficient to operate in these markets.” (Sanchez and Ricart 2010) It is important to keep top of mind the ‘institutional voids’ in emerging markets, meaning the resources required for the development of the firm’s activities are lacking, which create the need to find alternative ways to organize transactions (Khanna and Palepu 1999/ 2010; Sanchez and Ricart 2010) In essence, isolated business models behave as efficiency seeks as they try to take advantage of factor productivity endowment differences (Sanchez and Ricart 2010).

An interactive business model approach is a second alternative for entering the Bottom of the Pyramid. This path of entry involves the development of partnerships and the alignment of objectives which lead to mutual commitment of all parties involved in the venture. The most important feature of interactive business modeling is the “feedback loops that occur between the virtuous cycles of the ecosystem” (Sanchez and Ricart 2010). This leads to the viability of the model to rely not only on the company’s actions but also those of its interdependencies. In essence, interactive business models require the development of an entirely new ecosystem, specifically innovation within the construction of the ecosystem. (Sanchez and Ricart 2010) Chesbrough (2006) who introduced the term open innovation as a form innovation in which corporations look outside their boundaries in order to leverage sources of ideas, further supports the idea that the business model itself is a subject of innovation (Mitchell and Coles 2003; Zott et Al 2011) To sum up, interactive business models focus mainly on learning and innovation and the competitive advantages that arise from the right equation and proper utilization of the firm’s resources and capabilities in conjunction with those from the ecosystem (Sanchez and Ricart 2010).

For the purpose of this work, the focus will be placed on interactive business models. By emphasizing research on firms who subscribe to the open innovation school of thought, this Master Thesis will explore and examine how and what relationships mean for the success of a venture operating in low-income markets.

2.3.2 Business Model Innovation

It has become clear from former investigations that a shift in the emphasis from a product-centric approach to a focus on business model innovation is essential (Prahalad 2012). From 1995 till 2010 the interest in the concept has virtually exploded, but even more importantly academic research on the subject has lagged behind practice (Zott et al. 2011). Driving factors behind that increased interest is often seen in the rapid growth of emerging markets and the BoP issues (Seelos and Mair 2007; Prahalad and Hart 2002). IBM examined the relationship between business model innovation and success by interviewing 765 leaders in MNCs and discovered that MNCs that put twice as much focus on business model innovation were financial outperformers (IBM Global Business Service 2006). Recent advances in the study of BoP markets have brought new attention to the potential for innovative business models to play an important role in addressing economic development and human welfare (Hart, 2005; Ricart, Enright, Ghemawat, Hart, & Khanna, 2004). Focusing on the constraining elements of the environment in BoP markets can lead MNCs to overlook and underestimate the conditions for success in the environments. Instead, the arrangements found in BoP markets may provide advantages for certain types of innovations and activities that may be unfamiliar and untested in more developed markets, but nonetheless prove well suited for less developed ones. GE Healthcare is one of the examples of a MNC that has entered the low-income market successfully. By developing a product reduced to its core essentials, GE sells their electrocardiogram (ECG) machine in India for \$800 instead of \$10.000, which they charge in the United States. Also, given the poor infrastructure with no electricity, the machine works with batteries, has a light for use in darkness and is robust. The purpose of the investigations throughout this Thesis will be to uncover concrete guidelines for key elements required in an innovative business model.

3 Research Methodology

Research within social sciences is a “conversation between rigor and imagination, [between] what one proposes [and what one] evaluates” (Abbott 2004). As such, this Master Thesis’ vision for research is to utilize a two-pronged approach to the design of the study. Each of the two research sections will build upon each other and act as bridges to knowledge. The aim will be to employ both qualitative and quantitative methods in order to deepen and explore the hypotheses developed on the ideas around multinational companies utilizing innovative business models to tap the potential in the Bottom of the Pyramid.

As business activity in the Bottom of the Pyramid is a complex social phenomenon with multiple international and local players and lacks clear boundaries, the first portion of research will involve a qualitative approach. This form of research methodology “has left its mark conceptually and theoretically on the social sciences. The lasting contributions to social understanding from qualitative research [is] significant.” It is worth mentioning that though the importance of qualitative research is never questioned in the abstract, it is sometimes negatively associated with being non scientific and thus of little value. As a rebuttal to these critics, Berg argues in his chapter on *Quantitative Versus Qualitative Schools of Thought* that “critics [tend] to lose sight of the probability factor inherent in quantitative practices and [replace] it with an assumption of certainty. (Berg 2009) Qualitative research is of great value in this particular case because it can be utilized to explore assumptions and to examine relationships between variables.

The second portion of the research study will involve utilizing a quantitative approach that builds upon the information gathered during the first stage of research. In other words, this part of the research will answer the how, what, where and when of things which ultimately brings to light the “meanings, concepts, definitions, characteristics, metaphors, symbols and descriptions” (Berg 2009). By employing a quantitative approach, the second part of the research will analyze findings using one of the standard methods of statistics to reason about causes (Abbott 2004).

3.1 Hypotheses –Master Thesis

The Research Design of this Master Thesis in Innovation and Entrepreneurship will focus on the testing the following hypotheses:

- **Hypothesis 1:** MNCs are well-fitted to capture the market segment in low-income markets.
- **Hypothesis 2:** There is an un-captured financial potential at the Bottom of the Pyramid.
- **Hypothesis 3:** Innovative business models are needed in order to best capture the market potential at the Bottom of the Pyramid.
- **Hypothesis 4:** Relationships and networks play a key role in the success MNCs experience when operating at the Bottom of the Pyramid with interactive business models.

The intention of the research is to uncover *what*, if any, are the un-captured financial potentials in the Bottom of the Pyramid, *who* is suited to capture this potential successfully and *how* they can best do so.

3.2 Research Design

To initiate the research of the Master Thesis, an interview will be conducted with Tashmia Ismail author of *New Markets, New Mindsets*. By speaking to an expert in the field and using it as a stepping stone, the aim is to garner a deeper understanding for the topic, specifically the key elements that present challenges, opportunities and success factors for operating at the BoP. Key takeaways from the conversation should include a clearer picture on how to structure the research, how to find research subjects in the form of MNCs and additional details such as which country the research should be limited to. It should also shed light on whether or not it will be necessary or even possible to hone in on a specific industry. It should also reveal if the selected focus on relationships is of as much importance as the authors currently perceive it to be. The interview shall also reveal if there are other elements worth investigating in addition or instead.

An in-depth qualitative case study will be developed and utilized because case studies “are especially suitable when intended to understand contemporary complex social phenomena in its real-life context” (Yin 1994). Furthermore, an inductive case study approach is an appropriately chosen methodology as it allows for the development of theory (Eisenhardt 1989). In addition, Yin explains that case studies can be applied in both an exploratory and explanatory sense (1994).

The case studies will be conducted with carefully selected subjects and interview questions and techniques. Mostly open-ended questions will be utilized in order to provide variety and to allow for spontaneity and flexibility during the interview process. The analytical objective of this portion of the study will be to describe and understand the relationship between the variables in question. The aim will be to gather 10-15, preferably more but realistically within this range, MNCs who operate at the Bottom of the Pyramid. Ideally these MNCs will have Norwegian or at least Scandinavian parent companies but time and further investigation will show if this is possible or necessary. To create a constant between the MNCs studied, a specific low-income market for example Brazil will be selected. The research will then strive to prove the hypotheses and to develop some key learning’s regarding success in the BoP.

The second portion of the research study will employ a large scale survey in order to test the three proposed hypotheses. Unlike qualitative research, quantitative uses a more rigid and structured style and approach. The analytical objective is to quantify variation between the variables being studied and the data format will be numerical as opposed to textual. Since this form of research is subject to statistical assumptions and conditions it should allow the results to be mapped and visualized in a clearer way. The goal will be to draw out the commonalities between corporations experiencing success in the BoP and to gather these findings into a grouping.

3.3 Results

The overall aim of the research study will be to find conclusive evidence if the three tested hypotheses hold true or not. The results have clearly shown that there is an uncaptured potential in the Bottom of the Pyramid, that MNCs are well-suited to capture these low-income market segments and that innovative business models are required to capture the BoP.

The assumption is that further research findings can be developed into a sort of 'best practices' or 'handbook', which can be provide key learning's for other companies. These general guidelines shall provide pointers on how MNCs can best capture the BoP with the utilization of innovative business models.

The research results should also open up for further investigations as well as limitations of the research. It is expected that additional areas for further research will come to light once the research portion of the Master Thesis is complete.

4 References

- Abbott, Andrew. 2004. *Methods of discovery. Heuristics for the social sciences*. United States: Norton and Company.
- Afuah, A., & Tucci, C. L. 2001. *Internet business models and strategies: Text and cases*. New York: McGraw-Hill.
- Anderson, Jaime and Costas Markides. 2007. "Strategic innovation at the Base of the Pyramid." *MIT Sloan Management Review*, 49 (1): pp. 83–88
- Attride-Stirling, Jennifer. 2001. "Thematic networks: an analytic tool for qualitative research." *Qualitative Research*, Vol. I (3): 385-405.
- Amitt, Raphael, Massa, Lorenzo and Christoph Zott. 2011. "The Business Model: Recent Developments and Future Research." *Journal of Management*, Vol. XX: No. X.
- Berg, Bruce L. 2009. *Qualitative Research Methods for the social sciences*, Boston, MA, USA: Pearson Publication.
- Chesbrough, Henry William. 2006. *Open Innovation: The New Imperative for Creating and Profiting from Technology*. Boston, MA, USA: Harvard Business Press.
- Christensen, Clayton and Stuart L. Hart. 2002. "The Great Leap. Driving Innovation From the Base of the Pyramid." *MIT Sloan Management Review*, 44 Fall: 51-56.
- Dawar, N. and A. Chattopadhyay. 2002. "Rethinking marketing programs for emerging markets." *Long Range Planning*. 35 (5): 457
- Eisenhardt, K.M. 1989, "Building theories from case-study research." *Academy of Management Review*, 23 (4): 660-679.
- Hammond, Allen et al. 2007. *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*. Washington, DC, USA: World Resource Institute.
- Hart, Stuart L. 2010. *Capitalism at the Crossroads*. Pennsylvania, USA: Wharton School **Publishing**
- Johnson, S. 2007. "SC Johnson builds business at the base of the pyramid." *Global Business and Organizational Excellence*, 26 (6): pp. 6–17
- Karnani, Aneel G. 2006. "Fortune at the Bottom of the Pyramid: A Mirage." *Ross School of Business Paper*, 1035; California Management Review, Forthcoming.

-
- Kim, W. Chan and Renee Mauborgne. 2005. *Blue Ocean Strategy: How to create uncontested market space and make the competition irrelevant*. Boston, MA, USA: Harvard Business Review Press.
- Kolk, A. & R. van Tulder. 2010. "International business, corporate social responsibility and sustainable development." *International Business Review*, 19 (2): 119–125.
- London, T. and S.L. Hart. 2004. "Reinventing strategies for emerging markets: Beyond the transnational model." *Journal of International Business Studies*, 35 (5): 350.
- Porter, Michael. 1996. "What is business strategy?" *Harvard Business Review*, 74 (6): 61-78.
- Prahalad, C.K. 2012. "Bottom of Pyramid as a source of Breakthrough Innovations." *Journal of Product Innovation Development*, 29 (1): 6-12.
- Prahalad, C.K. and Stuart L. Hart. 2002. "The Fortune at the Bottom of Pyramid." *Strategy+Business*, 26 (first quarter): 1-14.
- Prahalad, C.K. and A. Hammond. 2002. "Serving the World's Poor, Profitably." *Harvard Business Review*, 80 (9): 4-11.
- Sanchez, P., Ricart, J. E., and M.A. Rodriguez. 2007. "Influential factors in becoming socially embedded in low-income markets." *Greener Management International*, 51: 19-38.
- Sanchez, Pablo and Joan E. Ricart. 2010. 'Business model innovation and sources of value creation in low-income markets.' *European Management Review*, 7: 138-154.
- Shafer, Scott M. et al. 2005. *The power of business models*. Cambridge, MA, USA: Harvard Business Press.
- Simanis, Erik et al. 2008. "The base of the pyramid protocol - Beyond "Basic Needs" Business Strategies." *Innovations: Technology, Governance, Globalization*, Bd. 3, Nr. 1: 57-84.
- Simanis, E et al. 2005. "Strategic Initiatives at the Base of the Pyramid: A protocol for mutual value creation." January 24, 2013. www.bop-protocol.org.
- Soto, Hernando De. 2010. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York, USA: Basic Books.
- Sutcliffe, K. and G. Huber. 1998. "Firm and industry determinants of executive perceptions of the environment." *Strategic Management Journal*, 18: 455-471.
- The Economist. 2010. "The world turned upside down. A special report on innovation in emerging markets." January 27, 2013. <http://www.economist.com/node/15879369>

UN Committee on Trade and Development. 2004. "Multinational Corporations (MNCs) in Least Developed Countries (LDCs)." January 25, 2013. <http://www.unc.edu/~wwolford/Geog21Spring2004/UNCTAD.pdf>

UN Committee on Trade and Development. 2006. "Trade and Development Report, 2006." January 27, 2013. http://unctad.org/en/Docs/tdr2006_en.pdf

Wheeler, D et al. 2005 "Creating sustainable local enterprise networks." *MIT Sloan Management Review*, 47 (1), pp. 33–40

Yip, George S. 2004. "Using Strategy to Change Your Business Model." *Business Strategy Review*, 15 (2):17–24.

Yin, R.K. 1994. *Case study research*. 2nd edition, Thousand Oaks, CA: Sage Publications.