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Entering the base of the pyramid market in India:

A corporate social entrepreneurship perspective

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Abstract

Purpose – This research aims to shed light on the international market expansion of multinational corporations (MNCs) to the base of the pyramid (BoP). We employ the corporate social entrepreneurship (CSE) perspective to reveal how MNCs can enter this market, the key enabling factors, and the benefits they can gain. CSE is related to entrepreneurial and marketing strategies that are inspired by social responsibility.

Design/methodology/approach – An exploratory, qualitative multiple case study has been employed. In-depth interviews were conducted with managers from three MNCs that have entered the BoP market in India.

Findings – The findings of this research confirm that successful entry into the BoP requires the pursuit of social responsibility and the adaptation of marketing strategies. In addition, MNCs should identify the key environmental factors (demand conditions and socio-political actors' expectations) and develop organisational characteristics (management support, network orientation toward NGOs and availability of financial resources) to match. The findings of this research show that engagement in CSE in countries with considerable BoP populations can bring firms legitimacy and sustainable profitability.

Research limitations/implications – This research is based on interviews with a limited number of MNCs in India. Future studies could generalise the findings of this research to a larger number of corporations in other countries.

Originality/value – This research brings new insights to the field of international marketing by integrating the CSR, marketing and entrepreneurship disciplines. The findings of this research offer empirical support for CSE and its role in international marketing strategies.

Keywords: international marketing, base of the pyramid (BoP), corporate social responsibility, corporate social entrepreneurship

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1. Introduction

Over the past decade, there has been growing interest in how multinational corporations (MNCs) can enter the base of the pyramid (BoP) market (London and Hart, 2004, Schuster and Holtbrügge, 2012, Tasavori et al., 2014, Dey et al., 2013). The BoP is composed of 1.4 billion people who earn between two and eight dollars a day, and 2.6 billion people whose daily income is below two dollars (Hammond et al., 2007, UNDP, 2008). Because of the dominant poverty in this market, it has traditionally been ignored by MNCs.

While some scholars suggest that there are profits to be made at the BoP (e.g., Prahalad, 2010), evidence illustrates that marketing and selling products in this market is not simple, as the rules of the game have proved to be different from what MNCs are accustomed to (London and Hart, 2004, London and Hart, 2010). For example, some scholars have pointed out that the BoP people do not trust foreigners (Webb et al., 2010) and that entering this market requires mutual value creation (London et al., 2010, Rangan et al., 2007). Others have highlighted the necessity of involving BoP people and local non-governmental organisations (NGOs) in order to produce sustainable solutions (Crawford-Mathis et al., 2010). According to Wood et al. (2008), entering the BoP market requires a better understanding of its nature and the pursuit of responsible marketing.

One of the successful approaches for entering this market that has been welcomed by corporations and supported by social organisations is built upon the incorporation of corporate social responsibility (CSR) (WBCSD, 2005, Prahalad, 2010). CSR can be defined as the voluntary activities of corporations aiming to contribute to a better society (Commission of the European Communities, 2001, Sprinkle and Maines, 2010). The pursuit of CSR can play a critical role in the successful market expansion of MNCs into the BoP market (Prahalad, 2010, Wood et al., 2008, Arnold and Valentin, 2013). This is because consumers at the BoP live in relative poverty and disadvantaged conditions. Thus, by

embracing socially responsible solutions, companies can improve the quality of life of the BoP people and consequently enter the BoP market (Wood et al., 2008, Arnold and Valentin, 2013).

In this research, we employ a specific type of CSR, which is referred to as corporate social entrepreneurship (CSE) (e.g., Wood, 2008, Schwab, 2008, Austin et al., 2005, Zaefarian et al., 2014). In this approach, corporations view social problems such as poverty as potential market opportunities (Wood, 2008) and develop products and marketing processes that not only create profits for the firm but also create social value (e.g., by reducing poverty) for low-income people (Austin et al., 2008).

In this research, we aim to shed light on the BoP market expansion of MNCs and the antecedents and outcomes of CSE by answering the following questions:

1. How does CSE enable MNCs to enter the BoP market?
2. What are the environmental factors that drive MNCs to enter the BoP market by engaging in CSE?
3. What are the organisational characteristics that enable MNCs to enter the BoP market through CSE?
4. What are the benefits that MNCs gain by pursuing CSE in the BoP market?

This study makes several contributions to theory and practice. First, it offers a new perspective for explaining the international marketing initiatives of MNCs based on the CSR literature. Specifically, it offers a socially entrepreneurial perspective on the market expansion of MNCs at the BoP. Second, the findings of this research contribute to the CSR and entrepreneurship literature by offering empirical support for the concept of CSE and its antecedents and outcomes, as demanded by Tasavori and Sinkovics (2010). Finally, the paper provides the managers of MNCs targeting the BoP market with information about influential

environmental factors, and the organisational characteristics that MNCs should develop to support market expansion. Managers can also obtain a better understanding of the benefits they might gain by aligning their international market strategies with CSR.

In the rest of this paper, we first review the context of the BoP in India and then provide literature related to the role of CSR in marketing, and elaborate further on the concept of CSE. After that, the theoretical background is explained, the research methodology is described, and the findings are presented. The paper concludes with some discussion, limitations and future research directions.

2. Context of the BoP market in India

BoP markets generally refer to the 3-4 billion poor globally who have traditionally been ignored by the private sector (Prahalad, 2010). In India, 469 million of the population earn less than $1.25 per day and 850 million people have a daily income of less than $2 (The World Bank, 2014) leading to an aggregated purchasing power of more than $1 trillion (Hammond et al., 2007).

In India, the majority of the BoP people live in rural areas and suffer from a lack of education and failing or nonexistent infrastructure such as transportation, communication, water, and electricity (Hammond et al., 2007). Despite all these disadvantaged conditions, prior studies corroborate that poor people are aspiring consumers and if they can have their essential needs at affordable prices, they can present a viable market for MNCs (Viswanathan and Sridharan, 2012).

3. Marketing, CSR and CSE

The importance of CSR and its contribution to the marketing endeavours of the firm has been supported by several studies. For example, scholars have examined consumer responses to

CSR initiatives (Marquina and Morales, 2012, Carrigan and de Pelsmacker, 2009), the role of CSR in branding (Polonsky and Jevons, 2009), and the marketing benefits resulting from corporate actions with a social dimension (Maignan et al., 1999, Smith et al., 2010).

Of course, there are different understandings of the concept and scope of CSR (Votaw, 1973). Carroll (1979), for example, explains that CSR is built upon four components: economic, legal, ethical and philanthropic. Frederick (1994) observes that CSR is the responsibility of corporations to contribute to the social betterment, whether that obligation is voluntary or coercive. Sprinkle and Maines (2010) state that CSR is related to firms' voluntary endeavours which benefit society. Some scholars have suggested that CSR can be integrated into the core entrepreneurial and marketing activities of the firm. Wood (2008, pp-119-120), for example, in "The A to Z of corporate social responsibility", describes CSE as the creation or development of new products, services or market segments to satisfy social needs, innovation in processes or less harmful technologies, or the identification of business opportunities through which firms can earn profits while addressing a social challenge. Schwab (2008), in "Global corporate citizenship", refers to CSE as the transformation of socially and environmentally responsible ideas into products and services.

Although the concept of CSE was first introduced in the CSR literature, it is based on two concepts: social entrepreneurship and corporate entrepreneurship (Austin et al., 2005). Social entrepreneurship is related to employing business practices to address social problems such as poverty and to create social value (Bacq and Janssen, 2011). Corporate entrepreneurship refers to the development and implementation of new ideas in large and established organisations in order to serve market needs (Hornsby et al., 2002). Teng (2007) describes it as the recognition and exploitation of market opportunities in order to achieve competitive advantage. Entrepreneurship scholars define CSE as "the process of extending the firm's domain of competence and corresponding opportunity set through innovative

leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value" (Austin et al., 2008, p. 170).

For the purpose of this research, and building upon the entrepreneurship, international marketing and CSR literature, we define CSE as the identification of social problems as market opportunities (Wood, 2008) and the development/adaptation of product/service and marketing processes in order to create profits for the firm and social value for the BoP people. Social value creation and the mitigation of poverty can be considered as targeting disadvantaged populations, addressing their unmet needs, offering them more choices, and improving their quality of life (Rangan and McCaffrey, 2006).

4. Theoretical background

Since there is not much literature on the antecedents and outcomes of CSE, we have tried to develop a conceptual framework based on the antecedents and outcomes of CSR, corporate entrepreneurship, and their underlying theories: stakeholder theory and contingency theory.

4.1. Stakeholder theory and the antecedents and outcomes of CSE

One of the dominant theories in the CSR literature is stakeholder theory (Freeman, 1984, Donaldson and Preston, 1995), as stakeholders can put pressure on corporations to behave in socially responsible ways. Stakeholder theory concerns the relationship between organisations and their environment, and suggests that organisations should take into account the interests of the groups for which they are responsible (Chen and Roberts, 2010). It broadens corporations' responsibilities beyond their own profit maximisation goals, to include the interests and claims of other beneficiaries in addition to those of the shareholders (Mitchell et al., 1997). Among the various stakeholders in society, managers have to identify the key stakeholder groups whose demands require attention (Mitchell et al., 1997). Previous

studies have stressed that NGOs and governments are among the most powerful stakeholders of a firm. For example, several studies in international business highlight the influence of NGOs on MNCs' behaviour, especially in developing countries (Vachania et al., 2009, Teegen et al., 2004, Lambell et al., 2008, Kourula and Laasonen, 2010), and identify them as some of the key stakeholders (Doh and Teegen, 2003, Cullen, 2004). Governments have also been found to be influential in terms of encouraging or punishing the CSR-related activities of firms (Keinert, 2008, Ruhnka and Boerstler, 1998).

According to stakeholder theory, the behaviour of an organisation can be explained and predicted based on "(a) the nature of its diverse stakeholders, (b) the norms defining right or wrong adopted by these stakeholders, and (c) stakeholders' relative influence on organizational decisions" (Maignan and Ferrell, 2004, p.5). Stakeholder theory explains the reasons why some of the activities of firms go beyond common business practices (Freeman, 1984) and why some organisations engage in unexpected social or environmental activities (Chen and Roberts, 2010). The incorporation of *stakeholders' expectations* and the securing of their endorsement and support can bring *legitimacy* for corporations (Chen and Roberts, 2010, Bowen et al., 2010). Legitimacy refers to the perception that the actions of an entity are beneficial to society (Suchman, 1995).

In addition to obtaining legitimacy, by incorporating social responsibility into their marketing strategies, MNCs can gain favourable behaviour and support from key stakeholders, which can lead to better *financial performance* (Wang and Qian, 2011, Orlitzky et al., 2003). The findings of marketing researchers corroborate this viewpoint, indicating that considering stakeholders other than just consumers and competitors can bring about better firm performance (Greenley et al., 2005, Polonsky, 1996).

Building upon the reviewed literature, stakeholder expectations are proposed as the antecedent of CSE. As for the outcome, the engagement of MNCs at the BoP is assumed to bring legitimacy for them, which can consequently lead to better financial performance.

4.2. Contingency theory and the antecedents and outcomes of CSE

Most researchers in the field of corporate entrepreneurship have employed contingency theory to explain the latter's antecedents and outcomes (e.g.,Zahra, 1991, Zahra, 1993, Antoncic and Hisrich, 2001, Antoncic and Hisrich, 2004). Contingency theory opens up the organisation and suggests how the environment imposes itself on the strategic behaviour of the firm (Forsgren, 2008). The external environment not only offers new marketing opportunities but also creates complex challenges, to which firms must respond creatively (Covin and Slevin, 1991, Zahra, 1991, Ghauri et al., 2005). As a result, this theory suggests that there is no single best way of managing all organisations and, when designing an organisation's structure, contingency factors should be taken into account (Mintzberg, 1979). Corporate entrepreneurship scholars thus identify external environmental variables, and the internal variables that a firm develops in order to identify and seize market opportunities in that specific environment and thereby create a better market position for itself (Antoncic and Hisrich, 2001, Zahra, 1991, Ireland et al., 2009).

One of the environmental factors identified as an antecedent of corporate entrepreneurship is the *demand for a new product*. This can motivate companies to engage in corporate entrepreneurship so as to develop and introduce such a product (Zahra, 1993, Ireland et al., 2009). When there is demand, organisations will adopt product and process innovation to serve the customers' needs.

In addition to the external environment, organisational factors can play a role, and can be both stimulants and impediments to the development of corporate entrepreneurship, the

adaptation of related marketing processes (Antoncic and Hisrich, 2001, Antoncic and Hisrich, 2004) and CSR activities (Keinert, 2008). Organisational variables define the context within which new ideas are generated, marketing opportunities recognised, and engagement in socially entrepreneurial activities accepted (Zahra, 1991).

Organisational support has been recognised as one of the most important antecedents of corporate entrepreneurship (Antoncic, 2007, Zahra et al., 1999, Antoncic and Hisrich, 2001) and CSR (Keinert, 2008). Prior research suggests that organisational support in the form of management support, work discretion, rewards, time availability or loose intra-organisational boundaries is crucial to corporate entrepreneurship (Kuratko et al., 1990, Morris et al., 2008). Organisational support can also be conducive to engagement in CSR-related activities. For example, studies show that a socially oriented culture can guide the behaviour and decisions of employees towards more socially responsible activities (Grojean et al., 2004, Keinert, 2008).

The number of alliances is another organisational factor that has been identified as conducive to corporate entrepreneurship (Antoncic and Hisrich, 2004) and CSR (Keinert, 2008). Collaboration with other firms is generally adopted as a strategy for innovation, and especially for new product/service or process development (Smith et al., 1991). In the context of social problems, socio-political actors such as NGOs and the local government have proved to be influential in firms' engagement in socially responsible initiatives (London and Hart, 2004, Prahalad, 2010).

Finally, the *availability of resources*, both time-related and financial, has been identified as an antecedent of corporate entrepreneurship (Kuratko et al., 1990, Morris et al., 2008) and of CSR (Seifert et al., 2003, Keinert, 2008). It is important that employees are allowed to spend some of their working hours on the development of new ideas. When employees do not perceive time-related resources to be available, they will not engage in

innovative initiatives (Hornsby et al., 2002, Das and Teng, 1997). The availability of financial resources has also been shown to be critical, and can be considered as the existence of "patient money" or financial capital that enables organisations to invest in advance and tolerate a long-term return on their investment (Kuratko et al., 1993, Kanter, 1983). CSR scholars also argue that, when organisations have slack resources, they are more prone to engage in CSR-related activities (Seifert et al., 2003, Keinert, 2008).

The key outcome of corporate entrepreneurship has been identified as better firm performance (Zahra, 1995, Covin and Slevin, 1991, Zahra, 1991). Corporate entrepreneurship entails the exploitation of opportunities that complement or extend the existing business of the firm, and this will result in the better utilisation of resources and improved firm performance (Zahra, 1991, Zahra and Hayton, 2008). CSR scholars also suggest that the pursuit of socially responsible activities can enhance a firm's performance. This might be due to the favourable behaviour and support of key stakeholders (Campbell et al., 1999) or to the publicity and reputation that a firm gains because of its CSR activities (Husted and Allen, 2000).

4.3. Theoretical framework of this research

Built upon the CSR and corporate entrepreneurship literature, the framework of this study can be summarised as shown in Figure 1. According to contingency theory, successful entry into the BoP market and the development of CSE require the identification of key environmental factors and the evolvement of organisational characteristics to match. Stakeholder theory complements contingency theory by highlighting the necessity of including stakeholder expectations among the environmental factors. According to this theoretical perspective, by engaging in CSE, corporations can benefit from a more legitimate

position, attract the support of stakeholders in the BoP market, and consequently produce better performance.

Insert Figure 1 about here

5. Methodology

A qualitative exploratory approach has been adopted here as it is suitable for gaining a deeper understanding of an issue (Ghauri and Gronhaug, 2010). Specifically, we employed the qualitative case study approach, as it is recommended when the area of research is novel or in its early stages; it allows the researcher to examine the setting and understand the inherent dynamics of the case in question (Eisenhardt, 1989, Eisenhardt and Graebner, 2007). The case study approach also benefits from the prior development of theoretical propositions to guide the study (Yin, 2009).

Multiple cases were studied, which facilitated the use of replication logic; each case was used to test emerging theoretical insights (Yin, 2009). MNCs that had entered the BoP market and were offering entrepreneurial solutions were identified. Companies were selected from different industries, which has allowed us to make a useful comparison of the findings of research and to draw reliable conclusions (Schuster and Holtbrügge, 2012). The research was carried out in India as the country accommodates a considerable share of the world's BoP population (Hammond et al., 2007, Prahalad, 2010). The country is also attracting a growing number of MNCs that are employing entrepreneurial initiatives to address poverty. Representatives of eight MNCs working in India were interviewed. However, for space reasons, we only present the details of three MNCs' CSE initiatives here. More information about the company cases and their CSE activities at the BoP is presented in Table 1.

Insert Table 1 about here

Primary and secondary data were gathered. Primary data were collected through semi-structured interviews, as they are suitable for exploratory research and when there is little or no pre-existing theoretical bias (Ghauri and Gronhaug, 2010). An interview guide was developed, which included questions based on the conceptual model of the research. Although the interview guide was designed based on the factors identified in the literature, questions were asked indirectly so as to avoid bias in the answers given by the interviewees. The interviews were carried out by two of the authors in 2010 and 2011. They were digitally recorded and then transcribed. The transcriptions were then sent to the interviewees to confirm the accuracy of the data (Saunders et al., 2007). The interviews were 45-90 minutes in length and captured data from key organisational informants. The informants were selected on the basis of their involvement in CSE projects. As a result, in addition to the managers in India, some of the managers from the headquarters were interviewed. Several managers were interviewed in each organisation so as to capture different perspectives and reduce subjective bias (Saunders et al., 2007). The first person interviewed in each organisation was then asked to introduce another informant in the organisation. This resulted in 44 managers being interviewed in total.

The interview data were supplemented with secondary data, including company histories, newspapers, websites, brochures and companies' annual reports. These documents added rich detail to our understanding of CSE and its antecedents and outcomes.

NVivo was used to code and analyse the data. There are two possible coding strategies: a priori and a posteriori categorisation of data. A priori coding refers to the use of theory and literature to develop categories. A posteriori coding involves the development of categories based on the data obtained (Sinkovics et al., 2005). Both of these strategies were employed in

this research. The antecedents and outcomes of corporate entrepreneurship and CSR identified from the literature review were considered as a priori categories. These categories were developed as codes in NVivo before the interviews were conducted. However, because of the paucity of specific literature on CSE, we were open to rejecting and/or modifying the previously identified codes following the interviews.

The data analysis was based on cross-case comparison (Ghauri, 2004, Yin, 2009). We started by analysing each case and then carried out the cross-case analysis, which included a search for any cross-case patterns (Miles and Huberman, 1994, Suchman, 1995). Although the potential generalisability of qualitative research is limited, multiple-case research provides more opportunities than single-case (Ghauri, 2004).

6. Findings

In this section, first, we describe the BoP market entry of the MNCs based on their CSE activities in which they view social problems as market opportunities, and develop entrepreneurial and marketing processes to seize them. Then, based on the conceptual framework, we explain the environmental and organisational factors that facilitate engagement in CSE and BoP market entry, as well as the outcomes of CSE.

6.1. Consumer Products

6.1.1. CSE: Social opportunity and the adaptation of marketing processes

Consumer Products is headquartered in Europe and has subsidiaries in around 100 countries. It produces a variety of consumer products, such as personal care products, food, beverages, and cleaning agents.

To play a role in the achievement of the Millennium Development Goals and the reduction of poverty, the company started looking into different business areas. Its analysis revealed that serving the needs of poor rural populations could be a big step forward in this area. In addition, almost 76% of India's population live in rural areas (Hammond et al., 2007,

The World Bank, 2008), representing a potential social market opportunity for the firm. However, it had to revise its usual way of doing business (in urban areas) and devise new marketing strategies to reach the BoP market.

Most of the poor in the target market were constrained in their level of consumption by having only small amounts of disposable money. Therefore, Consumer Products decided to redesign the size of its products, offering them in smaller, single-serve sachets. This change in *product size* has brought affordability to the poor and allowed them to experience a better quality of product for the same prices they were paying before.

The conventional *advertising strategy*, which relies on media such as TV, was almost completely ineffective in rural areas because many households did not have televisions. To tackle this issue, the company's marketing team came up with some changes to its traditional marketing process. This involved finding prominent walls in villages on which to advertise. The messages also had to be very simple and pictorial because most of the rural population the company was targeting were illiterate.

In addition, the company now has a number of teams that visit each village to demonstrate aspects of the products, for example the importance of hygiene, through a variety of interactive and engaging educational means.

To serve widely dispersed, remote villages in India, the company has developed a different *distribution strategy* from the one it uses in other markets. It is working with NGOs to gain access to women from self-help groups in these areas. Through these networks of self-help groups, the company is employing the residents of rural areas to distribute its products, rather than using conventionally organised distribution channels.

6.1.2. Antecedents and outcomes

Demand for new products. As one of the managers of Consumer Products explained, 76% of India's population still live in rural areas and, of these, a large segment live in villages. This represents a huge consumer market to which the company can sell its products. A Regional Brand Manager recounted the following:

> We were already a very strong player in India and we knew that a huge market of consumers lies in rural India and we did not have a business model that could take our products to these consumers. When we found that model, we just jumped onto it.

However, the company had to consider the BoP conditions and change its product (e.g., its size) to make it affordable for this market.

Stakeholder expectations. One of the reasons that Consumer Products decided to start serving the poor was in response to the Millennium Development Goals suggested by the United Nations (United Nations, 2005). As the Head of Corporate Social Investment remarked,

> It was a part of a project called Project Millennium at the beginning of the century. We started looking at different business areas we could get into…

Organisational support. Among the various means of organisational support, top management support was emphasised as being crucial to the successful implementation of CSE activities. For example, interviewees mentioned that employees who were expected to contribute to the implementation of this project were also involved in other tasks, and motivating them to put this project on their agendas and give it priority had only been possible because of top management support.

Number of alliances. Respondents referred to their collaborations with NGOs at different stages of the CSE project. First, some NGOs have been involved in educating

disadvantaged groups about the necessity of hygiene. Second, the NGOs have played a remarkable role by helping the firm to gain access to poor women who now form its distribution channel.

Availability of resources. The availability of financial resources was specifically pinpointed as a determining factor of the CSE initiatives. For example, developing and managing the distribution channels has required a huge amount of advance investment. The company works with 45,000 poor women who distribute the firm's products in rural areas. Around 1,200 employees are engaged in educating, managing and monitoring these poor, illiterate women. This is reflected in the following comments of the Regional Brand Manager:

> …we invested a lot of time and money into building capabilities. So, we would have classrooms, training programmes, as well as on-the-job training programmes for all the women entrepreneurs that were involved in this project.

The availability of patient financial resources has allowed the company to look past this and consider the overall long-term profitability that this distribution channel will offer the firm.

Legitimacy. The rural distribution channel of the firm has been welcomed by the NGOs. One of the missions being pursued by many of the NGOs in the region is the empowerment of the poor. Thus, by offering job opportunities to women from self-help groups, Consumer Products has obtained the support of both NGOs and the BoP people, which has contributed towards its legitimacy.

Firm performance. Gaining legitimacy at the BoP has enabled the firm to collaborate with NGOs, get access to their networks of women/customers and establish a successful widespread selling and distribution channel which has proven to be profitable for the firm.

Although the CSE activities of the firm and its products were not profitable in the early years, the respondents in this research confirmed that they are now profitable and constitute a considerable percentage of Consumer Products' overall profits. This is the result of the company's investment in developing its distribution channel and educating rural consumers together with NGOs about the importance of hygiene.

6.2. PhoneCo.

6.2.1. CSE: Social opportunity and the adaptation of marketing processes

PhoneCo. is headquartered in Europe, and manufactures mobile devices and mobile apps, selling its products in more than 150 countries.

In India, the company noticed that the penetration level of mobile phones among the rural low-income population was very low, representing a significant social opportunity for the firm. As the first step in satisfying the market need, PhoneCo. decided to change the *price* of its product and make it more affordable. Thus, it simplified its existing handsets and produced a cheaper product. It also started working with some micro-finance NGOs to offer loans to the poor in order to facilitate the purchase of mobile phones.

PhoneCo. was also asked by some NGOs to *develop mobile apps* that could help solve social problems such as disease, illiteracy and low incomes. Collaborating with the NGOs, the company conducted surveys to determine the specific needs of the poor and, based on the findings, developed a number of useful apps. For example, the agriculture app gives farmers access to market prices, which enables them to obtain the best possible price without having to travel to the nearest town (which could be a long distance away), saving them time and money and improving their quality of life.

PhoneCo.'s initiatives for the BoP market went beyond traditional product/service modifications. The company had to *adapt its advertising, sales and distribution processes* in

order to reach customers spread among the rural areas of India. To reach rural India, the company sends vans to country villages, advertising the firm's brand, often on market or festival days. Also, the company works with local NGOs to educate people about the use of mobile phones and apps.

6.2.2. Antecedents and outcomes

Demand for new products. The huge size of the rural market in India was one of the key antecedents that inspired the company to develop new products for the low-income population. While the urban market was almost saturated, the rural population presented a huge untapped market for the firm. However, it had to change its product and processes in order to meet the needs of the BoP population.

Stakeholder expectations. The company has developed mobile phone apps aimed at reducing poverty, improving health and providing education to the poor, based on requests from NGOs. This was illustrated by the Head of Corporate Social Investment:

> We have also developed multiple applications that started purely because we had a demand for them and by demand I don't mean a commercial demand, but that NGOs, governments, multilateral agencies were coming and saying, 'look there is a need for this in a poor or rural society. Can you develop something that can help us to tackle this issue in that society?'

Organisational support. The support of top management was mentioned by the interviewees as being conducive to CSE. For example, top management encourages employees to come up with new solutions for social problems. In the words of the Head of Corporate Social Investment,

> The culture of our company is such that the top management endorse it [solving social problems]. This is how we work. Our management look at how we can incorporate social issues [into our business]. They endorse the allocation of some time to doing R&D on apps that can solve social issues in the world.

Number of alliances. Developing relationships with NGOs has proved helpful for the CSE activities of this firm. For example, PhoneCo. works with NGOs that provide micro-finance, to help the low-income population with the purchasing of handsets. NGOs also have experience of working with the poor and are aware of their specific needs, and they can provide training on the use of mobile phones and apps. As explained by the Head of Corporate Social Investment,

> NGOs can help us with implementing a programme on the ground because we will never claim to be the best people to implement social programmes because that's not where our expertise lies.

Availability of resources. The company had to invest in research to learn about the specific needs of the poor, such as health and education, and to develop handsets and apps that could meet those needs. As mentioned before, the company had to modify both its product and its process:

> We actually spent a substantial amount of money so as to create a programme and sustain it for a few years. (Theme and Programme Head)

Legitimacy. By meeting the expectations of NGOs, the company has gained their support for the implementation of its projects. In addition, by enhancing the lives of the poor through the benefits that mobile phones and apps can offer, PhoneCo. is more accepted, as a socially responsible company, in India.

Firm performance. Considering the huge BoP population that has not yet been reached, the company is hoping to gain profits in the long term. In addition, since the product and service offered by the company are demanded and supported by the NGOs, the company has

obtained legitimacy and is hoping to expand its collaboration with NGOs to scale up its projects and improve its long-term profitability. By offering social apps, the company will be able to expand its knowledge and employ its learning in other markets.

6.3. Cookware Co.

6.3.1. CSE: Social opportunity and the adaptation of marketing processes

Cookware Co. is based in Europe and is one of the largest electronics companies in the world. It operates in more than 60 countries, offering products ranging from consumer electronics, domestic appliances and personal care to lighting and healthcare.

Noticing that the majority of the BoP population did not have access to many of its products, Cookware Co. decided to enter this market and launch a CSE project. As indicated by some of its managers, this decision was strengthened by the growing expectation from NGOs and governments that the company should support equitable socioeconomic development worldwide, in line with the Millennium Development Goals.

In collaboration with some NGOs, Cookware Co. identified the health of poor people as one of the social problems to which it could contribute a solution. In particular, respiratory illness affects the health of a huge number of people living in India who still cook indoors with biomass fuels (e.g. wood or dung). Therefore, if the firm could *develop a smokeless stove*, it would be able to improve the quality of many people's lives. As the Director of Sustainable Design stated in a report published by the company,

> This idea seemed to have the best chance of helping the socially disadvantaged through leveraging our expertise and capabilities without involving sophisticated and expensive technologies.

The stove would be simple to use and maintain, relatively cheap, easy to make, and would significantly reduce indoor pollution. In designing the product, the company had to ensure that it would be affordable for as many families as possible.

In collaboration with local NGOs, the company conducted extensive research to collect all the information required to develop a truly effective, context-specific solution. The company collected information on local production and distribution channels, and gained insights into people's culinary habits, their interaction with the devices currently available, and their purchasing power.

Since it was not financially viable for Cookware Co. to design and produce the product itself, it decided to complement its own skills with those of local entrepreneurs and NGOs. Thus, it developed a package of information that was distributed freely to NGOs so that they could produce the smokeless stoves themselves or train local entrepreneurs to do so.

6.3.2. Antecedents and outcomes

Demand for new products. While the company's existing markets were almost saturated, the low-income BoP population still lacked access to many of the products it offered. In addition, the company's research revealed that respiratory illness was a big social problem, with almost 1.6 million people annually across the globe suffering from smoke inhalation as a result of indoor wood-burning stoves. The company also emphasised the necessity of modifying their existing products to suit the needs of BoP customers:

> BoP markets are becoming the catalysts for new products and service innovation. But tapping them will require manufacturers to shed many of their assumptions about customer needs, product design and innovation strategies that they have relied upon in the developed economies. Companies will need to look beyond traditional strategies in order to meet the needs of markets … (Head of Corporate Social Investment)

Stakeholder expectations. One of the drivers that led Cookware Co. to offer a product/service aimed at addressing a social problem was the United Nations' target of achieving the Millennium Development Goals by 2015. The managers also referred to the growing pressure from NGOs to support social goals.

Organisational support. Cookware Co. began to develop sustainability-driven business initiatives in 2003, and these projects gained momentum because of support from top management. First, the senior management set the objective of supporting CSE projects that were aligned with its core competencies and strategic goals. Second, all top managers were encouraged to come up with innovative business practices that would create appropriate solutions to meet poor people's unmet needs. This is illustrated in the following statement, made in a report published by the company:

> The board of management launched an invitation to all five of Cookware Co.'s product divisions to encourage innovative business practices that would foster new business models and the creation of appropriate solutions for people's 'unmet' needs.

Number of alliances. By working with NGOs, Cookware Co. was able to identify an appropriate social problem to which it could contribute a solution. In addition, NGOs were helpful in obtaining community support when the firm was collecting information on people's specific needs, living conditions and cooking habits at the BoP. Also, through close collaboration with local entrepreneurs, NGOs helped Cookware Co. to ensure that the smokeless stove it had designed would be produced and distributed to consumers.

Availability of resources. As a leading MNC in its industry, Cookware Co. has been able to devote a considerable amount of money to the development of a product that solves a particular social problem. In addition to its investment in R&D and the design of the product, the company has invested in learning about the BoP communities, identifying related NGOs

and local entrepreneurs, and developing their capabilities so that they can produce the product themselves. The availability of financial resources has also enabled the firm to pursue a non-profit initiative regarding the design of the smokeless stove.

Legitimacy. Embracing social opportunities has improved Cookware Co.'s acceptability in the eyes of NGOs and the BoP population. Engaging NGOs in identifying social problems, and collaborating with them to learn about the real needs of the poor, has strengthened the NGOs' support for the project. Also, the firm has benefited from legitimacy at the production stage, as this process has been facilitated by NGOs who have mobilised local entrepreneurs to manufacture the product.

Firm performance. Addressing a social problem and gaining legitimacy has enabled the firm to mobilise the BoP customers, NGOs and local entrepreneurs in the process of designing, developing and selling the product, which will consequently bring better long-term performance for the firm.

Although the company is not seeking a profit from the design of this product, it is hoping to achieve long-term profitability as a result of this experience. Offering smokeless stoves has necessitated close engagement with BoP communities to learn about their needs, their cultural beliefs and their traditional behaviour, as well as their purchasing power. In addition, the company has had to learn about working with non-traditional partners. This means that the company is building up knowledge on future customers and markets, while creating a network of potential local suppliers (from NGOs to independent entrepreneurs). This is reflected in the following statement made in a report published by the company:

> We will also benefit. …We are exploring new ways of working, and now better understand the potential of new technologies or the use of existing ones in an innovative way, and have gained valuable insights from areas we would otherwise probably not be active in. It has become

possible for us to create a portfolio of sustainable solutions that are not constrained by traditional business considerations.

7. Discussion

The corporate entrepreneurship literature (e.g., Morris et al., 2008, Covin and Miles, 1999) contributes to the explanation of CSE initiatives as it suggests that corporations engage in entrepreneurial practices to redefine their markets and create new marketing strategies so as to achieve competitive advantage. Despite the low incomes of the BoP population, the MNCs studied here have switched their attention to this market, viewing social problems as opportunities (Wood, 2008) and attempting to offer products, services and/or processes that suit the needs of poor people. These MNCs have had to adapt their marketing strategies by changing their products (e.g., size, features, etc.), reducing their prices, adapting their advertising and promotion strategies to tackle illiteracy and a lack of access to TVs, and developing new distribution channels to gain access to consumers in widespread rural areas. These changes in the marketing initiatives of these MNCs are consistent with the findings of prior studies suggesting that corporations should re-invent their strategies at the BoP (London and Hart, 2004, Prahalad, 2010), and develop strategies to build awareness and ensure the affordability, availability and acceptability of their products (Anderson and Billou, 2007).

The findings of this research are also consistent with the CSR literature and the various ways CSE is understood within that literature (Wood, 2008, Schwab, 2008). Faced with the BoP conditions, and feeling the pressure to be more socially responsible, the companies designed their entrepreneurial and marketing initiatives in such a way as to improve the quality of people's lives. They created social value by improving the health of the poor (Cookware Co. and Consumer Products), creating jobs for self-help groups (Consumer Products) and local entrepreneurs (Cookware Co.), and improving farmers' incomes

(PhoneCo.). The findings of this research also corroborate the proposition of Wood et al. (2008) that, at the BoP, not only should MNCs focus on their marketing strategies but they should also develop solutions that enhance people's purchasing power.

Consistent with the corporate entrepreneurship literature (Zahra, 1991, Antoncic and Hisrich, 2004) and contingency theory (Mintzberg, 1979, Forsgren, 2008), this research shows that developing successful entrepreneurial and marketing strategies at the BoP requires an understanding of the key environmental factors. Contingency theory suggests that those organisations that design and develop their organisational characteristics according to environmental conditions will be in a better position to respond to the market opportunities and threats in their environment and have better performance in any new markets that they enter (Miller et al., 1996).

This research has highlighted the specific antecedents and outcomes of CSE related to entry into the BoP market. Table 3 shows a summary of environmental factors, organisational characteristics and outcomes identified based on the literature review and the interviews of representatives from MNCs.

Insert Table 3 about here

As illustrated in Table 3, the first environmental factor suggested by the literature review was the demand for new products. The findings of this research extend the prior understanding; we highlight that, at the BoP, the demand factor that stimulates entrepreneurship may not necessarily be demand for a 'new' product as suggested by prior studies (Zahra, 1993, Antoncic and Hisrich, 2000). Instead, it is mainly the BoP conditions (poverty, illiteracy, living in dispersed rural areas etc.) and the market size that play a role and require companies to engage in developing/adapting products and marketing processes. We thus refer to this environmental factor as *'demand conditions'*.

Stakeholder expectations, or more specifically *'socio-political actors' expectations'*, were found to be another environmental factor. Considering stakeholder expectations as an environmental factor is consistent with prior studies that have argued that many of the dynamics in the market environment stem, not from technological or material imperatives, but rather from cultural norms, symbols and beliefs (Powell and DiMaggio, 1991). The company cases in this research had started their CSE projects and entered the BoP market because of expectations and pressure from NGOs, or in order to achieve the Millennium Development Goals set by the United Nations. Some scholars argue that, because of their power and legitimacy, NGOs can have a major impact on firms' behaviour, and specifically the implementation of CSR (Doh and Teegen, 2003).

Three organisational characteristics proved to be critical in enabling the companies to engage in CSE and enter the BoP market. First, under the heading of organisational support that has been suggested by prior studies (Antoncic, 2007, Zahra, 1991), the interviewees in this research pointed more specifically to *'management support'*. Management support can be defined as "the willingness of senior management to facilitate and promote [socially] entrepreneurial activity in the organisation" (Adapted from Hornsby et al., 2002, p. 253). Studies also show that a socially oriented culture guides the socially responsible behaviour of employees. This is because the organisational culture represents the type of behaviour that will be rewarded or punished (Grojean et al., 2004) by top management. For example, this is reflected in the following comment from the Head of Corporate Social Investment at PhoneCo:

> The culture of our company is such that the top management endorse it [CSE]. Our management look at how we can incorporate social issues. They endorse allocation of some time to do R&D on what applications can solve social issues in the world.

While the corporate entrepreneurship literature refers to the number of alliances of a firm, especially those with for-profit companies (Antoncic and Hisrich, 2004), the findings of this research illustrate that, at the BoP, organisations should develop their *'networking orientation towards NGOs'*. Although corporations are used to building relationships with other for-profit companies (e.g., Ghauri et al., 2008, He and Wei, 2013, Veludo et al., 2004), when entering the BoP market and addressing social problems they should learn to broaden their networks to include social actors, as illustrated by other scholars (London and Hart, 2004, Elg et al., 2008, Prahalad, 2010, Tasavori et al., 2014). Providing companies with the benefit of a deep understanding of social problems, working with NGOs can stimulate and facilitate the development of products and marketing strategies that better suit the BoP needs.

'Availability of financial resources' was emphasised by all interviewees as the key factor for successful entry into the BoP market. The availability of financial resources in these companies had enabled their top managers to allocate a percentage of their resources to the CSE initiatives, and to tolerate the fact that profitability would only occur in the long term (Kanter, 1983, Kuratko et al., 1993). For example, Cookware Co. was able to respond to the opportunities in this market with non-profit initiatives to begin with. Meanwhile, with the other two MNCs (Consumer Products and PhoneCo.) adapting their pricing to much lower levels to make their products affordable for the BoP, they are tolerating a very low profit margin at present so as to accommodate the purchasing power of the poor.

In line with the stakeholder theory (Freeman, 1984, Mitchell et al., 1997, Chen and Roberts, 2010), the findings of this research illustrate that, by incorporating stakeholder expectations, engagement in CSE and, consequently, the reduction of poverty, MNCs can gain legitimacy. Enhanced legitimacy can then lead to better performance over time. This corroborates prior research indicating that, by incorporating stakeholders' principles into their entrepreneurial and marketing initiatives, companies can gain a better market position (Chen

and Roberts, 2010, Freeman, 1984, Wang and Qian, 2011, Greenley et al., 2005). At the BoP, this can be associated with MNCs' lack of knowledge, experience and expertise in addressing social problems, and the necessity of obtaining stakeholder support when implementing CSE projects and developing marketing strategies.

Finally, our findings add to the prior understanding of corporate entrepreneurship (Zahra, 1995, Covin and Slevin, 1991, Zahra, 1991) and the BoP (Prahalad, 2010), by clarifying that, at the BoP, profitability may not be achieved in the short term. However, as the interviewees confirmed, the case firms are all hoping to gain first-mover advantage (Lieberman and Montgomery, 1988), scale up their projects, transfer what they have learnt in this market to other markets, and achieve *'long-term profitability'*. This is also consistent with the findings of Simon (1995) suggesting that corporations benefit from their CSR activities by gaining legitimacy and the support of stakeholders in the long term. This was confirmed by the Regional Brand Manager of Consumer Products:

> If a company was to start tomorrow and say 'I want to do this in rural India', it would take a long time for it to be profitable and this is exactly what we are witnessing right now.

8. Conclusions

In this research, we have endeavoured to illuminate how a CSE approach can enable MNCs to enter the BoP market. We have specifically shed light on the environmental factors that may pull/push organisations, the organisational factors required and the outcomes that organisations can expect from entry into this market. The findings of this research have revealed that, by viewing social problems as opportunities, adapting marketing strategies and implementing social responsibility by improving the quality of life of the poor, MNCs can achieve this goal. However, the pursuit of CSE and the implementation of these strategies

require a better understanding of environmental factors. The key environmental factors that influence the CSE initiatives of MNCs were identified as demand conditions and socio-political actors' expectations. Specific organisational characteristics to match the environment and support for engagement in CSE also proved to be critical, namely, management support, network orientation toward NGOs and availability of financial resources. The alignment of entrepreneurial initiatives and international marketing with social responsibility at the BoP can provide a firm with legitimacy and long-term profitability. A summary of the findings of this research is presented in the following figure (see Figure 2):

Insert Figure 2 about here

This research makes several theoretical contributions. First, it provides new insights into the field of international marketing by highlighting how a CSE approach and the implementation of new marketing strategies and social responsibility can facilitate entry into the BoP market. Second, this research adds to the CSR literature by providing empirical support for the benefits of the implementation of social responsibility through entrepreneurial initiatives. Third, this research contributes to the corporate entrepreneurship literature by extending it into the BoP market, and highlighting its antecedents and outcomes when it comes to addressing social problems. The findings of this research illustrate that, at the BoP, contingency theory should be complemented with the stakeholder theory to explain the antecedents and outcomes of CSE.

Our study also has implications for business managers. First of all, managers of MNCs expanding their international markets into the BoP should understand that the BoP market can present an opportunity provided that companies are open to developing/modifying products and adapting their marketing strategies around aspects such as pricing, promotion

and distribution channels. In addition, the nature of the BoP market requires the implementation of CSR and the creation of social value for the poor. When targeting the BoP market, managers should be aware of environmental factors at the BoP and develop organisational characteristics to suit those factors. They also need to be more patient and focus on long-term profitability when entering this market.

This research is not without limitations. The findings of this research are not universally generalisable, as they are based on MNC strategies of three firms in a single country and deal with just one social problem (poverty). Therefore, it is suggested that further research be carried out on the subject to test the findings presented here.

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Table 1. Overview of company cases		
Company*	**Field of activity**	**CSE initiative in India**
Consumer Products	Fast-moving consumer goods	Consumer Products is one of the largest producers of fast-moving consumer goods in India, with products such as soap, tea, detergent and shampoo. The CSE initiatives of the company are based on viewing the BoP people as opportunities, developing smaller-sized products, and adapting marketing processes, namely, pricing, promotion and distribution.
PhoneCo.	Mobile telecommunications	PhoneCo. has targeted the BoP population as a potential opportunity, and has developed affordable handsets and several mobile applications (apps) (e.g. agricultural apps, educational apps). The company has also employed specific advertising and marketing strategies.
Cookware Co.	Electronics	This company offers consumer electronics, domestic appliances, lighting, medical systems, and medical technology. At the BoP, the company has viewed the reduction of respiratory illness as a social opportunity and has designed a smokeless stove for the BoP people.
*Names have been changed for confidentiality purposes.		

Table 2. Interviewees' information

Company	Gender (Female/Male) (F/M)	Nationality	Interviewee's position
Consumer Products	M	Indian	Corporate Sustainability Manager
	M	Indian	Regional Brand Manager, South Asia
	M	Indian	Senior Brand Manager
	M	Indian	Brand Manager
	M	Indian	Head of Corporate Social Investment
Phone Co.	M	Indian	India's Environmental Manager
	M	Indian	Theme and Programme Head
	F	Singaporean	Head of Corporate Social Investment (at headquarters)
Cookware Co.	M	Indian	Director, Design
	M	Indian	Marketing Communication Manager
	M	Dutch	Director of Sustainable Design (at headquarters)

Table 3. Antecedents and outcomes of CSE		
Proposed antecedents and outcomes of CSE based on the CSR and corporate entrepreneurship literature	**Identified antecedents and outcomes of CSE for successful entry into the BoP market based on the findings of this research**	**Sample of interviewees' quotes**
Demand for new product	Demand conditions	*The mobile penetration levels in the rural markets are still much much lower than in the urban markets…in the big cities like Delhi etc., you actually have close to 100% mobile penetration, whereas rural markets today are still at 20%. So, there is a big opportunity there. (Phone Co.)* *With more than 1.6 million people dying annually due to smoke inhalation from indoor wood burning stoves, Cookware Co. came up with an idea to effectively tackle the problem. (Cookware Co.)*
Stakeholder expectations	Socio-political actors' expectations	*We have also developed multiple applications that started purely because we had a demand for them and by demand I don't mean a commercial demand, but that NGOs, governments, multilateral agencies were coming and saying, 'look there is a need for this in a poor or rural society. Can you develop something that can help us to tackle this issue in that society?' (Phone Co.)*
Organisational support	Management support	*The culture of our company is such that the top management endorse it [solving social problems]. This is how we work. Our management look at how we can incorporate social issues [into our business]. They endorse the allocation of some time to doing R&D on apps that can solve social issues in the world. (Phone Co.)* *The board of management launched an invitation to all five of Cookware Co.'s product divisions to encourage innovative business*

		practices that would foster new business models and the creation of appropriate solutions for people's 'unmet' needs. (Cookware Co.)
Number of alliances	Network orientation toward NGOs	*NGOs can help us with implementing a programme on the ground because we will never claim to be the best people to implement social programmes because that's not where our expertise lies. (Phone Co.)* *I think NGOs are basically the vital link between companies and the end consumers because I think NGOs' engagement with this market is far more than what we [have] because they are there almost every day. (Cookware Co.)*
Availability of resources	Availability of financial resources	*…we invested a lot of time and money into building capabilities. So, we would have classrooms, training programmes, as well as on-the-job training programmes for all the women entrepreneurs that were involved in this project. (Consumer Products)* *We actually spent a substantial amount of money so as to create a programme and sustain it for a few years. (Phone Co.)*
Legitimacy	Legitimacy	*More efficient cooking saves time and money…We also carried out a sustainability impact study together with one of our partner NGOs in India …In all houses there was a reported decrease in health problems like burning eyes, coughing and difficulty in breathing when cooking. The stoves were seen as an advanced and attractive-looking cooking solution by friends and neighbours. There was a high level of pride of ownership. Almost all users said the stove was easier to use, clean and maintain. (Cookware Co.*[*]*)*

[*] Interviewees did not directly refer to gaining legitimacy among NGOs and BoP people. However, it can be inferred from this response and similar responses that interviewees were able to mobilise the NGOs' and BoP people's resources and create a sense of acceptability of the product and MNCs' activities in this market.

Firm performance	Long-term profitability	*If a company was to start tomorrow and say 'I want to do this in rural India', it would take a long time for it to be profitable and this is exactly what we are witnessing right now. (Consumer Products)* *We will also benefit. …We are exploring new ways of working, and now better understand the potential of new technologies or the use of existing ones in an innovative way, and [we] have gained valuable insights from areas we would otherwise probably not be active in. It has become possible for us to create a portfolio of sustainable solutions that are not constrained by traditional business considerations. (Cookware Co.)*

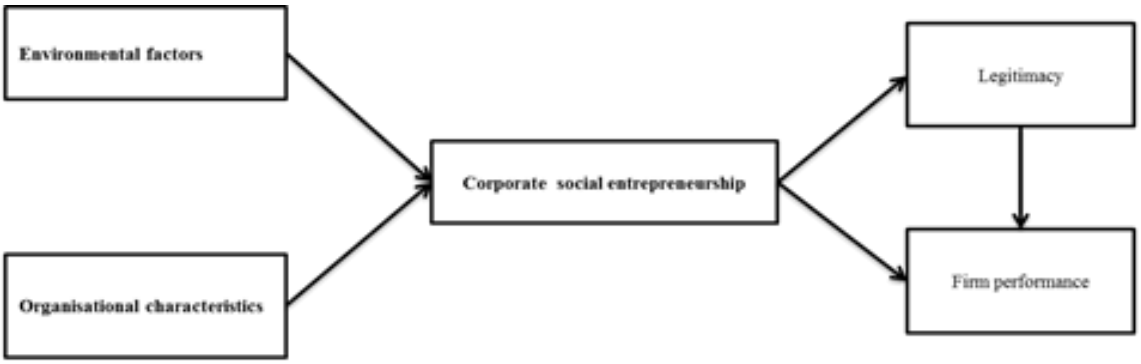

Figure 1. Proposed antecedents and outcomes of CSE (*Source: Adapted from Antoncic and Hisrich (2004)*)

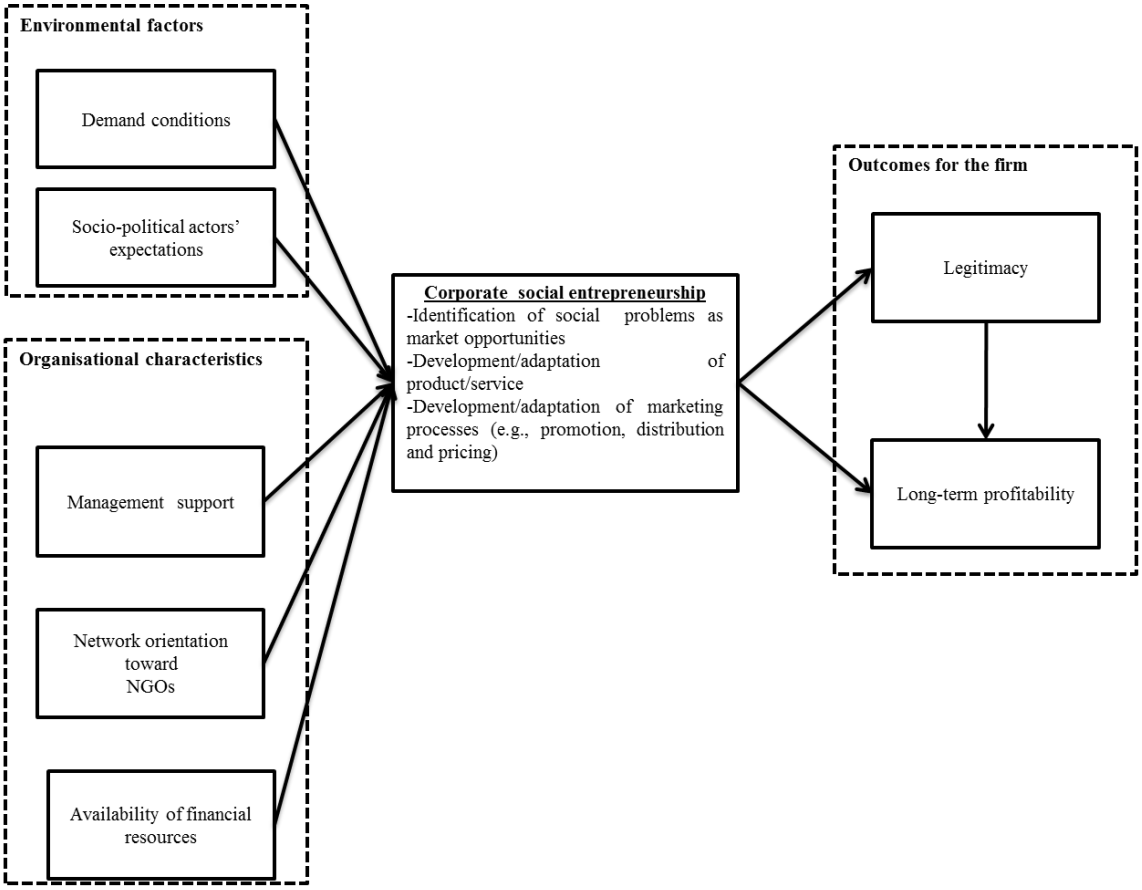

Figure 2. Antecedents and outcomes of CSE for successful entry into the BoP market